

No. 20,212

In the
United States
COURT OF APPEALS
for the Ninth Circuit

THE PLASTIC CONTACT LENS COMPANY,
a corporation,

Defendant-Appellant,

v.

GEORGE H. BUTTERFIELD, SR.,

Plaintiff-Appellee.

APPELLEE'S ANSWERING BRIEF

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KEY TO ABBREVIATIONS

In the main, in this brief, Defendant-Appellant, The Plastic Contact Lens Company, will be referred to as "Plastic" and Plaintiff-Appellee, George H. Butterfield, Sr., as "Butterfield."

Patent No. 2,510,438 will be referred to as the "Tuohy" Patent and Patent No. 2,544,246 will be referred to as the "Butterfield" Patent.

References to "App." refer to the Appendix to the Butterfield brief unless specifically cited as "Plastic's App."

References to "Br." refer to Butterfield's brief unless specifically referred to as "Plastic's Br."

References to exhibits offered by Butterfield will be "Ex." and a numerical designation (e.g., Ex. 1) while references to Plastic's exhibits will be "Ex." and an alphabetical letter (e.g., Ex. RR), as this was the method of identification employed by the trial court.

References in the brief to Findings will be to "F." while references to Conclusions will be to "C".

As a convenience to this Court and pursuant to its Rules, the Findings and Conclusions of the trial court with supporting documentation to the Record and Evidence, are fully set forth in the Appendix (App. 1-66). Those Findings and Conclusions challenged by Plastic in its Specification of Errors (Plastic Br. 39-47) are marked with a "C" in the margin of the Appendix in order that such challenged Findings and Conclusions may be readily distinguished from those unchallenged.



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APPELLEE'S ANSWERING BRIEF

I. PRELIMINARY STATEMENT

Plastic concedes that the facts as found by the trial court are essentially undisputed (Plastic's Br. 10). Then, however, under the subheading "The Questions Involved", (p. 7), Plastic proceeds to emasculate and obscure the facts and issues by posing them as loaded hypothetical questions lacking any evidentiary foundation. This action was tried on a stipulated pre-trial order (R. 44, et seq.) in which the issues and contentions of the parties are clearly stated. Plastic's brief does not mention or follow the pre-trial order although it superseded the pleadings which passed out of the case.

Contrary to the opening paragraph of Plastic's brief and the repeated arguments in similar vein thereafter, this is not primarily a patent case but rather one in which the trial court in detailed findings after a lengthy trial and voluminous record found Plastic, the holder of the Tuohy contact lens patent, to be guilty of extreme acts of patent misuse, misrepresentation, unfair competition, business interference, and violation of the antitrust laws, all committed against Butterfield, the owner of the Butterfield Patent, also covering corneal contact lenses. The patents of the contending litigants are only collaterally involved to the extent that they enable the court to weigh the import of and motives behind Plastic's wrongful conduct. The primary issues, in view of Plastic's Specifications of Error (Plastic's Br. 39-47) consist of determining whether or not the detailed findings and conclusions of the trial court, setting forth acts of patent misuse and tortious trade misconduct by Plastic, are supported by the record and by the law.

II. FURTHER STATEMENT CONCERNING PLEADINGS AND JURISDICTION

Butterfield's contentions are set forth in detail in the pre-trial order (R. 48, et seq.). Summarizing them in general terms only, they set forth in substance that, since April 1962, the date of the settlement of the former litigation between the parties in the District of Oregon, Plastic wrongfully excluded Butterfield, owner of the Butterfield Patent, from legitimate licensing revenue and business by misrepresenting to the trade the nature of the settlement and termination of the prior litigation and the scope of the Tuohy and Butterfield Patents; by employing and enforcing the accused royalty base by which Plastic requires its li-

censees to pay royalties on all lenses and lens materials, whether patented or unpatented; by coercive litigation against lens manufacturers and others who dealt with or threaten to deal with Butterfield to become licensed under the Butterfield Patent; and by indemnifying and offering to indemnify all lens manufacturers against infringement of the Butterfield Patent. The pre-trial order, after detailing Butterfield's contentions with respect to the foregoing, stated that the major issues to be tried were whether Plastic's conduct constituted (1) Unfair Competition, (2) Wrongful Business Interference, (3) Violation of the Anti-Trust Laws, (4) Breach of the implied covenants of good faith arising from the settlement of the former litigation between the parties in April, 1962 (See App. 91-92, for statement of major issues as set forth in Pre-Trial Order).

Additional issues are set forth in the pre-trial order. Three of them involve the question as to whether or not the settlement of the prior action between the parties in the Federal District Court for Oregon terminated in April, 1962, constituted some kind of *res adjudicata* against any of the claims asserted by Butterfield in the current litigation. The trial court in its findings (F. 26, 27; App. 20-21) ruled that the settlement had no such effect and Plastic's brief apparently abandons any such contention. The remaining issues to be tried, on the claims asserted by Butterfield as set forth in the pre-trial order, all concern related collateral matters of equitable relief, damages, irreparable injury, accounting, and injunctive relief.

Plastic also asserted a counterclaim against Butterfield which it describes in its statement of the pleadings (Plastic's Br. 4, pre-trial order, R. 65, 69) but, at the trial below, abandoned virtually all of the charges in its counterclaim except those centering about assertions

that Butterfield, in dealings with the trade, had misrepresented the scope of his own and of the Tuohy Patent. In the trial below, the court found against Plastic on its counterclaim and entered a judgment for its dismissal (R. 154). The court's judgment also permanently enjoined the conduct of Plastic, previously described in summary form (R. 154), the judgment having been entered April 23, 1965. The judgment also directed an accounting for damages, directed that Butterfield's damages, when ascertained, be trebled, because of its finding of violation of the antitrust laws, and awarded attorneys' fees in an amount to be thereafter fixed by the court on the further hearings.

The jurisdiction of the trial court is founded upon 28 U.S.C. §§ 1331, 1332 and 2201-2202, and 15 U.S.C. §§ 1, 2 and 15.

The pleadings showing the existence of jurisdiction are the plaintiff's complaint (R. 1-10) and the pre-trial order (R. 44-76).

III. QUESTIONS INVOLVED

The trial court entered detailed findings of fact and conclusions of law after a lengthy trial consisting of four volumes of testimony and proceedings, comprising 726 pages, and the many hundreds of exhibits described in a list attached to the pre-trial order (R. 77-103). (Also see Plastic's App. 2a-4a). Because it is Plastic's burden on this appeal to show that the trial court's findings of fact are clearly erroneous and that its relevant conclusions are legally unsound, and because of the importance of these findings and conclusions, they are set forth in their entirety, along with supporting documentation to the record and evidence, in the Appendix to this brief (App. 1-66).

In the interests of space, this brief, in discussing

statements of fact, will, in most instances, simply refer to the findings in the Appendix attached to this brief which in turn contain full documentation.

The following is submitted in lieu of Plastic's version, as a more accurate statement of the questions tried out below and involved in this appeal:

Did any one or more of the following types of Plastic conduct as set forth in the findings of the court below, either singly or in combination, and occurring since April, 1962, constitute unfair competition, violation of the antitrust laws, wrongful interference with Butterfield's legitimate business interests or expectations, or breach of the good faith obligations of the settlement agreement between the parties resulting from the former litigation:

A. Plastic's misrepresentations to the trade as to the scope of its own patent, the scope of the Butterfield Patent, and the nature of the settlement which it had made in April, 1962, with Butterfield, after it had acknowledged in the settlement that its predecessor, Solex, had infringed the Butterfield Patent and Plastic paid \$66,000.00 infringement damages as a part of the settlement and after it had previously taken a license under the Butterfield Patent and paid \$50,000.00 therefor.

B. Plastic's enforcement and use of a royalty base with its 165 licensees, comprising a substantial majority of the manufacturer's market in corneal lenses, the base being directly calculated on all lenses, patented or unpatented, finished or unfinished, handled by the licensee, having the effect of excluding Butterfield from the license market for devices covered by his own patent.

C. Plastic's offer of indemnity to its licensees specifically against claims for infringement of the Butter-

field Patent, not conditioned in any manner that indemnity was extended only if the licensee handled or manufactured Tuohy lenses.

D. Plastic's institution of groundless and coercive litigation against certain of its licensees and others who dealt with Butterfield, claiming damages for conspiracy, when such charges were wholly unfounded and when such litigation had the effect of discouraging Butterfield's prospective licensees from dealing with him?

Plastic's statement of the questions involved is in fact an attempted argument and more properly belongs in the argumentative portions of its brief. The first two questions posed by Plastic, dealing with the scope of the two patents, are corollary to the other issues already described. Concerning scope, the patents, their history, the past dealings of the parties with one another and other evidence show clearly, as will be demonstrated in later portions of this brief, that the Butterfield Patent has substantial useful scope, that its teachings are widely adopted in the trade, but that Plastic's misconduct has wrongfully deprived Butterfield of substantial license revenues, much of which has been, in effect, stolen or appropriated by Plastic by means of the conduct previously set forth.

Later portions of the brief will also set forth valid reasons why *Automatic R. Mfg. Co. v. Hazeltine Research*, 339 U.S. 827 (1949), does not justify Plastic's enforcement of an unrestricted total volume unitary royalty base.

IV. SUPPLEMENTAL STATEMENT OF FACTS

For two reasons, it is necessary that Plastic's so-called "Statement of Facts" be substantially supplemented. The first is that substantial and material fac-

tual matters are omitted or misstated. The second arises from the necessity of setting forth in some detail the substance of the evidence appearing in the record which amply sustains the findings of the trial court, most of which are challenged by Plastic (Plastic's Br. 39-47).

The trial court, as appears in its Findings (App. 1-61), regarded the long history of dealings and past relationships between Plastic and Butterfield and with the contact lens trade as highly relevant. In this Statement of Facts these will first be outlined and a subsequent portion of the Statement will be devoted to a discussion of the more technical matters involving the scope of each patent.

A. Dealings And Acts Up To And Including Conclusion Of The Former Litigation By Settlement And Consent Decree

1. Prior to the acquisition by Plastic of all of the capital stock of Solex, which then owned the Tuohy Patent, it was defendant in an infringement action brought against it by Solex, for claimed infringement of the Tuohy Patent. *Solex Laboratories, Inc. v. Plastic Contact Lens Co.*, 268 F.2d 637 (7th Cir. 1959). In this action, Plastic charged in verified pleadings and affidavits (Ex. 66, 67) that Solex had practiced deceit and coercion and misused the court opinion of Judge Tolin [*Solex Laboratories v. Graham*, 165 F. Supp. 428 (S.D. Cal. 1958)] for the purpose of coercing manufacturers of lenses into entering into license agreements with Solex under the Tuohy Patent and had misrepresented the scope of the Tuohy Patent. In the same action Plastic challenged the validity of the Tuohy patent. Plastic obtained a temporary injunction against Solex prohibiting the described conduct (F. 6, 13; App. 3, 9).

2. Prior to Plastic's purchase of Solex it was defend-

ing through its own counsel three of six companion cases in the Southern District of California, one of which is *Solex Laboratories v. Graham*, supra, and there contending that the Tuohy Patent was invalid and had not been infringed. Appeals were prosecuted in these cases which did not result in an adjudication on the merits because they were dismissed as a part of the transaction by which Plastic acquired Solex (F. 10; App. 7).

3. Neither the *Solex Laboratories v. Graham* litigation, supra, nor the earlier case of *Pacific Contact Laboratories v. Solex Laboratories*, 209 F.2d 529 (9th Cir. 1953), in any manner involved Butterfield or the scope or validity of the Butterfield Patent (F. 11; App. 8).

4. Prior to Plastic's acquisition of Solex, and in May, 1960, it sought and acquired from Butterfield a license under the Butterfield Patent, paying a total consideration of \$50,000.00 therefor. This license was acquired by Plastic from Butterfield when Plastic was not only attacking the Tuohy Patent but was challenging coercive and deceptive practices of the then Tuohy Patent owner, Solex (F. 14; App. 10). The taking of this license under these circumstances was found by the trial court to be substantial evidence of recognition by Plastic not only of the validity of the Butterfield Patent but of the fact that the Butterfield lens had substantial utility and acceptance in the trade (F. 12(b); App. 8).

5. At the time Plastic purchased Solex in November, 1960, an action was pending in the United States District Court for the District of Oregon by Solex against Butterfield, asserting infringement of the Tuohy Patent by Butterfield and by a corporation, Butterfield & Son, and Butterfield, in turn, denied the infringement, asserted the invalidity of the Tuohy Patent and

charged infringement of his own patent by Solex. After Plastic acquired Solex in November, 1960, Plastic was added as a plaintiff against Butterfield in this Portland litigation. Butterfield then obtained, after hearing, a temporary injunction against Plastic, on September 10, 1961, prohibiting Plastic from bringing or continuing the prosecution of actions against licensees of Butterfield for infringement of the Tuohy Patent, from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of alleged infringement, from notifying the trade that the Butterfield Patent is inoperative and from notifying the trade that it could manufacture and sell lenses under the teachings of the Butterfield Patent without infringing it. *Solex Laboratories, Inc. v. Butterfield*, 202 F. Supp. 461 (D. Or. 1961) (F. 15; App. 10-11).

6. With this background, and after extensive discovery, the Portland litigation between Plastic and Butterfield was settled in April, 1962. The more relevant parts of the settlement consisted of the entry of a consent judgment adjudging the validity of the Butterfield Patent and that it had been infringed by Plastic's predecessor, Solex (by the making of Butterfield-type lenses), and that settlement had been made by Plastic for such infringement damages. Neither the settlement documents (Ex. 2-3) nor the consent judgment (Ex. 1) contained any confession by Butterfield or adjudication of the validity of the Tuohy Patent, though the corporation, Butterfield & Son, which was granted a royalty-free license under the Tuohy Patent as a result of the settlement, did confess the validity of the Tuohy Patent. The unfiled settlement documents (Ex. 2-3) show clearly that Plastic, as settlement for the acknowledged infringement of the Butterfield Patent by Solex, paid or agreed to pay Butterfield approximately

\$66,000.00, and they show further that both Plastic and Butterfield obtained the right to solicit licenses from the other's licensees and enforce their patents against such licensees by court action (F. 21-25; App. 14-20). The trial court found that this settlement constituted another substantial recognition by Plastic not only that the Butterfield Patent was valid but that it had substantial useful scope and acceptance in the trade (F. 12(c); App. 9).

The consent judgment constituted *res judicata* precluding Plastic from attacking the scope of the Butterfield Patent, because the lenses there involved were the same as those in the present controversy.

It was, of course, presumed, at least by Butterfield, that the conclusion of that litigation clarified and settled the status of the respective Tuohy and Butterfield Patents in the corneal contact lens manufacturing industry, as well as between the parties. Such clarification was sorely needed in the industry because, in establishing the Tuohy Patent licensing program which Plastic acquired and has since continued, Solex, by an extensive campaign of fraud, deception and coercion involving misuse of court opinions, had created a state of confusion throughout the industry as to whether or not the Tuohy Patent covered or had been adjudged to cover all corneal contact lenses.

Plastic, since the time of the settlement of the former litigation, never attempted to disassociate itself, in its trade contacts, from Plastic's wrongful conduct enjoined by the court in the Portland litigation or from the earlier similar conduct of Solex enjoined in Illinois (F. 16; App. 11, 12).

B. Dealings And Acts After Conclusion Of The Former Litigation

1. Since Conclusion Of The Former Litigation Plastic Has Enforced Its License Contracts In A Manner To Exact Royalties On All Lenses, Whether Finished Or Unfinished, Patented Or Unpatented, Including Butterfield Lenses

(a) Plastic, during this period, was actively engaged as a manufacturer of corneal contact lenses and controlled approximately 22% of such business (Ex. 12, p. 106) and was also actively engaged in promoting license agreements under the Tuohy Patent. At the time of trial, in addition to its principal office, it had 24 branches throughout the United States (F. 2, 36; App. 2, 31) and was, in effect, competing with its own licensees.

(b) When Plastic acquired Solex, the latter had obtained 56 licensees under the Tuohy Patent—all obtained after the “Memorandum of Decision” which was rendered in *Solex Laboratories v. Graham*, 165 F. Supp. 428 (S.D. Cal. 1958) and which the court in *Solex Laboratories, Inc. v. Plastic Contact Lens Co.*, 268 F.2d 637, 641 (7th Cir. 1959) found to have been improperly used by Solex in coercing manufacturers to sign license agreements under the Tuohy Patent by deceiving them into believing that the Tuohy Patent covered all corneal lenses. In April, 1962, when the former litigation between the parties was concluded, Plastic had obtained a total of 110 licensees, including those which had been acquired by Solex. At the time of the trial of this action, Plastic had acquired 165 licensees—representing more than 50% of the 300 odd corneal lens manufacturers. As stated in its brief, at p. 24, Plastic converted those license agreements, which only required royalties on lenses covered by the Tuohy Patent, to the present form which it has enforced to require payments on the

herein accused royalty basis (F. 17, 26, 27b; App. 12-13, 20, 21-22).

(c) In addition to selling finished lenses corneal lens manufacturers sell a large number of pieces of lens materials known as "unfinished" or "uncut" lenses, which are unpatented. The purchaser then fabricates those unpatented pieces of material into finished lenses under the Tuohy Patent, the Butterfield Patent, or any other patent (F. 28; App. 27-28).

(d) Plastic concedes in its brief that it consistently requires its licensees to pay royalties on all lenses whether finished or unfinished, patented or unpatented, including Butterfield lenses and there is no showing that Plastic attempted to require of its licensees, as did Butterfield in his licensing, that unfinished or uncut lenses sold by the licensee be sold on condition that the lenses be finished in accord with the Tuohy Patent. While Butterfield employs several different specific forms of license agreements, none of them requires the payment of royalty on any lens not covered by the Butterfield Patent. In fact, if a Butterfield licensee sells a lens in an unfinished or uncut state, he must sell it under the express condition that it can only be finished in accordance with the Butterfield Patent (F. 57 (c) (iv); App. 55). As found by the trial court in the same finding, no witness was called by Plastic either from the trade or from its staff to establish its claim that there existed any administrative, accounting or other reason which necessitated its enforcement of the accused royalty base.

(e) Plastic's accused licensing program, covering as it did all types of lenses, and covering the vast majority of lens manufacturers, was highly successful as is borne out by the record which shows that, since April, 1962, up to the time of trial, Plastic collected \$459,314.00 in royalties (F. 32; App. 29).

(f) Since the time of the settlement of the former litigation in April, 1962, Butterfield acquired a total of 23 new licensees, in addition to the 12 he had at the time of the settlement. Up to the time of trial no new ones had been added since August, 1963, and those acquired since settlement of the former litigation were small in royalty revenue. The Butterfield formula for royalties worked out at a royalty of slightly less than 50¢ per lens in most of the license agreements (F. 35, App. 30; F. 38, App. 31).

(g) At the time of trial the prevailing prices at which a licensed manufacturer sold lenses had gone down to a price of \$3.00 for each uncut or unfinished lens and \$3.75 for each finished lens, and this had been the result of a highly competitive situation prevailing in this branch of the trade. The lower court determined that the ordinary manufacturer with the low sales prices of his lenses could not afford to pay double royalties amounting to almost \$1.00 per lens without serious economic stress and many licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreements, declined to deal with Butterfield because they could not afford to pay a royalty on the finished lens after having paid Plastic a royalty on the unpatented materials used to manufacture the finished lens (F. 37, 39, 41, 56(a); App. 31-33, 51).

As will be demonstrated later, the use of Plastic's accused royalty base, accompanied by the low prevailing market prices of lenses, had the practical effect of excluding Butterfield from the license market. A comparison of the list of license prospects called upon by Butterfield for the purpose of obtaining licensees between April, 1962, and the time of trial (Plastic's App. 123-125) with the list of Butterfield licenses, together with the dates upon which they were obtained, and the

list of Butterfield delinquencies (Ex. 73 and 74, Plastic's App. 34, 35), shows that since the settlement Butterfield attempted to obtain licenses from 51 prospective licensees and succeeded only in obtaining agreements from 23, of which some seven or eight have become delinquent.

2. Plastic's Misrepresentations To The Trade As To The Terms Of The Settlement And Conclusion Of The Former Litigation And the Operative Nature Of The Butterfield Patent.

During Butterfield's activities in the field, Butterfield repeatedly received statements and communications from persons interviewed or solicited that they were making a Butterfield-type lens but that they would not or could not pay double royalties. In most instances Butterfield or others either viewed the lenses or obtained samples to establish that a Butterfield-type lens was involved (F. 43; App. 33-34).

Several manufacturers and dispensers were called by Butterfield who testified to the substantial use of Butterfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent (App. 71-79). The trial court determined that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and were paying on the basis of Plastic's accused broad royalty base were making Butterfield lenses but declined to deal with Butterfield nevertheless (F. 43, 44, 45; App. 33-35).

In October, 1962, Plastic sent out to the trade a circular letter (Ex. 53) in which it purported to explain the nature of the settlement which it had made with Butterfield. The lower court found that the circular contained both misrepresentations and omissions of relevant facts which constituted fraud or concealment damaging to Butterfield (F. 46; App. 35-37).

Some of the items of misrepresentation or concealment were these:

(a) A statement that Plastic had "recently settled" when in fact the settlement had been made six months previously.

(b) A statement that Plastic was fully released from all claims alleging infringement of the Butterfield Patent whereas no statement was made that Butterfield and Butterfield & Son were similarly released as to the Tuohy Patent; no statement was made that Plastic had acknowledged that Solex had infringed the Butterfield Patent, that Plastic, as a result, had agreed to pay Butterfield infringement damages or, even, that Plastic itself held a Butterfield license.

(c) A statement that four existing Butterfield licensees had been granted royalty-free licenses under the Tuohy Patent in the settlement because Butterfield had indemnified them against liability arising from their infringement of the Tuohy Patent. In fact, no such indemnity agreement had been given by Butterfield to his licensees, except in the case of one of them, [Titmus, whose indemnity was limited to the making of Butterfield lenses (Ex. 117)], and there had been no showing that any Butterfield licensee had infringed the Tuohy Patent.

(d) The communication does not set forth that, as a part of the settlement, Plastic recognized the validity of the Butterfield Patent and that the settlement agreement expressly recognized the right of each party to solicit the other's licensees and to bring infringement actions (F. 46; App. 35-37).

The lower court found that, to a trade then under active solicitation by Butterfield, these misrepresentations and omissions severely impaired Butterfield's licensing efforts (F. 46; App. 35-37).

The court further found that Plastic's circular letter was a violation of an understanding made with Butterfield at the time of the settlement that a mutually agreed upon form of trade release concerning it should be sent out to the trade (F. 47; App. 37-38).

Again, as to the settlement, the court found that one of Plastic's counsel had represented to a Plastic licensee (Ex. 69), then under solicitation by Butterfield, that as a part of the settlement, Geo. H. Butterfield & Son had acknowledged that the Tuohy Patent had been infringed by it. Actually, the settlement contained no such confession (F. 54; App. 49).

The lower court further found that since the settlement agreement Plastic had improperly asserted as a trade policy that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility and that Plastic has also, during the same period, asserted an unduly wide scope for the Tuohy Patent (F. 53; App. 49). Excerpts from the deposition testimony of Newton K. Wesley, President of Plastic, clearly establishing this policy of trade misrepresentations appear at App. 93-94.

3. Plastic's Coercive Litigation Against Its Licensees Libeling Butterfield And His Attorneys And Frightening Its Licensees From Dealing With Butterfield

The trial court found that Plastic, after the settlement agreement with Butterfield and after Butterfield had been in the field soliciting license agreements, entered into and carried forward a program of coercive litigation directed against its licensees and others designed to prevent and discourage lens manufacturers from dealing with Butterfield even though they were in fact making Butterfield lenses. The Findings and record citations supporting this Finding of Fact by the Court are lengthy, consisting of several pages, known

to the record as Findings 50, 51 and 52 (App. 39-49). Because of space limitations the detailed evidence supporting the Court's Findings can be referred to only in the Appendix by brief references to the transcript and Exhibits. However, an examination of the record will show that these Findings are, as in the case of the other Findings of the trial court, fully justified by the record.

There were at least four items of litigation falling into this category, three of them against licensees of Plastic and one against a manufacturer having no license agreement with Plastic but who engaged in negotiations with Butterfield. Three of the actions, all against Plastic licensees, were in the state courts of California. The first was an action against Security Contact Lens Company of Los Angeles in which the complaint, seeking to collect royalties from a Plastic licensee, contained an unfounded additional count or charge setting forth that the licensee defendant had conspired with Butterfield and his attorneys to damage the Plastic licensing system and contained a prayer for relief for conspiracy or interference damages substantially greater than the amount of any delinquent royalty payments (Ex. 58).

A second action in the state court of California involved litigation by Plastic against Con-Cise Lens Co. of San Francisco. Plastic's pleading in this litigation, without probable cause, contained similar charges of conspiracy on the part of its licensee with Butterfield and his attorneys and again claimed a substantial amount of interference or conspiracy damages (Ex. 137b).

The third action in the California state court was against two licensees of Plastic, known as Marco and Hunt, each of whom was also a licensee of Butterfield.

The complaint in this combined action also named Butterfield and his attorney, Mason, as defendants and charged, without probable cause, that the two Plastic licensees, as well as the Defendants Butterfield and Mason, had conspired to interfere with and damage the Plastic licensing system and prayed for a substantial damage award having no relationship to any delinquent royalty payments (Ex. 137a).

The fourth was an action by Plastic in the Illinois state court against Midwest Scientific Co. of Chicago, a non-licensee of Plastic, suspected of dealing with Butterfield. In the supplemental and second supplemental complaints in that action (Ex. 61, 62) Plastic again charged conspiracy of the type previously set forth, though neither Butterfield nor his attorneys were parties.

In Findings 50, 51 and 52 (App. 39-49), the Court sets forth in detail the complete and dismal failure of Plastic to sustain any of these charges (which were also a part of its counterclaim herein) and concludes from the evidence that these actions were filed for coercive purposes, in bad faith, and for the primary purpose of damaging Butterfield in the promotion of his licensing program.

4. Plastic's Program Of Inducing Infringement Of The Butterfield Patent By Offers Of Indemnity To Manufacturers Making The Butterfield Lens

(a) On December 10, 1962, Plastic sent out a circular letter (Ex. 54) offering to indemnify each of its licensees specifically against claims for infringement by the licensee of the Butterfield Patent and accompanied each letter with a form of indemnity agreement (Ex. 75). Approximately 40 of the Plastic licensees executed the forms (F. 48; App. 39).

(b) The Court found that the offer of indemnity was made wrongfully, in bad faith, with the intent to injure Butterfield and his licensing program and that it had the effect of preventing him from obtaining additional licenses (F. 55, 56; App. 50-54).

(c) The wrongful intent and damaging effect of this indemnity offer are well sustained in the record. Among other considerations before the Court were these:

(i) The indemnity agreement itself significantly failed to condition the indemnity obligation to devices made in accordance with the teachings of the Tuohy Patent but expressly provided that Plastic will indemnify its licensee "against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246 with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The usual and customary indemnity agreements are conditioned upon the making by the licensee of a device covered by the patent involved in the license rather than an indemnity for the making or handling of devices made under the teachings of some other patent. This was found to be an invitation by Plastic to its licensees to invade Butterfield's patent monopoly with an assurance of freedom from liability (F. 56 (c); App. 53-54). It should not be overlooked, as to this indemnity, that Plastic, by the consent judgment and its license from Butterfield, was precluded from attacking the validity of the Butterfield Patent. It is doubtful, therefore, that Plastic was legally capable of carrying out its offer of indemnity. Certainly it was a breach of the implied terms of the settlement agreement.

(ii) Prior to Plastic's offer of indemnity to its licensees it had been approached repeatedly by various of its own licensees who stated that they had been so-

licited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses (See App. 85-90 for typical correspondence) and concern was expressed on the part of several such Plastic licensees as to whether they were justified to continue to deal with Plastic and pay double royalties. This Finding is supported by some sixteen items of correspondence between Plastic and its licensees, as will be seen in the Appendix (F. 56 (a); App. 51-52). In Plastic's letter of December 10, 1962 (Ex. 54), transmitting the indemnity form to its licensees, Plastic stated that "concern was expressed by a few of our licensees * * * that they might be exposed to liability under the Butterfield Patent." The Court found that Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves by taking a Butterfield license and that Plastic made the offer of indemnity to maintain its own predominance and illegally prevent its licensees from dealing with Butterfield by offering them full indemnity, even though they made Butterfield lenses (F. 56 (b); App. 52-53).

(iii) The effectiveness of the indemnity offer in damaging Butterfield is further discussed in Finding 55 (App. 50-51) involving litigation brought by Butterfield against two Plastic licensees in Portland and Vancouver (Northwest-Northern of Portland and Rich-Tint of Vancouver, Washington). A third action was against a Portland Plastic licensee, Columbian Bi-focal, where an infringement action was prepared by Butterfield's attorneys but was not filed because a license agreement was obtained. The two actions actually filed were settled by the taking of a license. Plastic's assertion that Butterfield filed no such infringement action (Plastic's Br. 75) is clearly false. In all three instances the record contains the correspondence between the

Plastic licensee or its attorneys and Plastic, bitterly complaining of Plastic's unwillingness to extend indemnity against infringement for claims of the Butterfield Patent. (See App. 85-90 for typical correspondence.) From this correspondence the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic it would not have settled with Butterfield by taking a Butterfield license. In each instance Butterfield had satisfactory proof that the Plastic licensee was making a Butterfield-type lens.

C. The Three Types Of Butterfield License Agreements

The Butterfield license agreements (Ex. 117) fall into three categories:

1. The form which requires the licensee to pay a royalty of five per cent "of the gross sales price of all corneal contact lenses coming within the scope of the claims of the Butterfield patent." The paragraph numbered 2 of this contract form which Plastic quotes with emphasis at page 28 of its brief, is not the royalty clause, as Plastic would have this Court believe. It is simply a rule of thumb statement distinguishing the bi-curved Butterfield lens from the other lenses of the single curve type. The royalty clause of the contract (paragraph numbered 3) expressly provides that royalties are to be paid only on sales of lenses "coming within the claims" of the Butterfield patent.

2. This form requires a royalty of fifty cents per lens embodying the invention of the Butterfield patent or sold by the licensee subject to the express condition that it must be finished only in accordance with the Butterfield Patent.

3. The royalty paid-up form of license which, for a flat sum payable in cash or in installments, grants

to the licensee the privilege of manufacturing an unlimited number of lenses under the Butterfield patent. The amount of the paid-up sum is estimated on the basis of the licensee's sales capabilities during the previous 12-month period. The term of each of those licenses is for the life of the patent which last expires, although it does not require or include any royalty payment under either of the licensed patents after it has expired.

D. The Scope Of Each Involved Patent And Trade Usage Of The Teachings Of Butterfield

The trial court accurately summarized (F. 7, 8; App. 4-7) the essential differences between the Tuohy and Butterfield Patents. The following excerpts are quoted:

"7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

"(a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

"(b) The Butterfield lens is also substantially

parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the 'bi-curve conforming type.'

"The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended * * *"

* * * * *

"(c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the 'flatter type lens.'

"Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens. * * *"

* * * * *

"8. The trade in contact lenses both at the manufacturing, dispensing and fitting levels, has recognized that there are substantial differences between

the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the 'bi-curved conforming' Butterfield-type lenses."

The Court further found (F. 62, 63; App. 59-60):

"62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

"63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees."

To avoid unnecessary repetition, the additional factual material and the legal arguments concerning scope of the respective patents and the clearly established widespread use of the Butterfield lens, both by Plastic licensees and the trade in general, will appear in the argument portion of this brief (Br. 30-50).

V. ARGUMENT

A. Summary Of Argument

The findings are not "clearly erroneous." On the contrary, they are fully established by the evidence and support the conclusions and judgment. Fed. R. Civ. P. 52 (a).

After the prior Portland patent action between the

parties was concluded by the Settlement Agreement, Stipulated Facts and Consent Judgment (Ex. 1-3), Plastic's licensees became disillusioned as to the misrepresented all-inclusive scope of the Tuohy Patent and began to revolt against paying royalties under their license agreements (See typical correspondence, App. 85). Then, to block Butterfield's licensing program and to preserve its illicit royalty income, Plastic engaged in the here accused interrelated acts of antitrust law violation, unfair competition and wrongful business interference; all to the substantial damage of Butterfield and the public.

All matters of patent scope, insofar as concerns the lenses of the respective Tuohy and Butterfield Patents here involved, were concluded, as issues, in the former patent litigation, except to the extent that they may be collaterally related to the here accused acts of Plastic.

Plastic's conduct of enforcing its licenses in an illegal manner to exact royalties on unpatented materials is not within the rationale of the *Automatic Radio Mfg. Co. v. Hazeltine Research Inc.*, 339 U.S. 827 (1949), on which Plastic relies as justification.

B. The Trial Court's Findings May Only Be Set Aside If Found Clearly Erroneous

This appeal boils down to the question of whether Plastic's complained of conduct was wrongful and harmed Butterfield. Plastic's position appears to be a demurrer to the evidence. Plastic's Brief admits that "the facts * * * are essentially undisputed * * *" (Br. 10) and Plastic contends, although it did the acts of which Butterfield complains, that such acts were not wrongful. The determinations that Plastic's actions were wrongful and resulted in substantial damage to Butterfield are, to a great extent, based on findings of Plas-

tic's bad faith and wrongful intent. Such findings of fact by the trial court should not be set aside unless "clearly erroneous."

The "clearly erroneous" rule of Fed. R. Civ. P. 52(a) was formulated, among other reasons, to give due regard to the trial judge's better opportunity to weigh the evidence and to discourage appeals such as Plastic's in the instant case where the appeal is apparently based on the hope that the appellate court will second guess the trial court. Regardless of what decision this court might reach if it were considering the evidence in the first instance, it should not disturb the trial court's findings unless clearly erroneous. *Puget Sound Pulp & Timber Co. v. O'Reilly*, 239 F.2d 607, 609 (9th Cir. 1956).

This case is complex and presents a voluminous record. In *Dickson v. Burnham*, 197 F.2d 973, 977 (2nd Cir. 1952), *cert. denied* 344 U.S. 875 (1952) the court said:

"Especially in litigation where issues are singularly complex and the evidence adduced unusually voluminous ought the determinations of the trial court serve as direction and guidance for appellate review."

Deference to the trial court's findings is particularly appropriate in the instant appeal where this case must be viewed in the light of the previous litigation between these same parties. As Judge Kilkenny was the trial judge in both the earlier litigation and the present case there can be no one better qualified to make findings of fact on the complex issues here presented. This is particularly true with regard to Plastic's wrongful use and breach of the settlement agreement concluding the original litigation between these parties. In Finding 73 (App. 61) J. Kilkenny said:

"The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief."

The evidence upon which the trial court based its findings of fact was both oral and documentary although Plastic's brief ignores most of the oral evidence and documentary evidence unfavorable to Plastic's position on appeal and Plastic's brief greatly overemphasizes the importance of certain of the documentary material in the United States Patent Office. This appellate court's landmark opinion in *Lundgren v. Freeman*, 307 F.2d 104, 113 (9th Cir. 1962) (hereinafter cited as *Lundgren*) involving a suit to reform a written contract for mutual mistake, held that it was bound by the "clearly erroneous" rule and could not substitute its judgment for the trial court's although the issue was decided on written evidence alone. 2B Barron and Holzoff, Wright, *Federal Practice and Procedure* (Rules Ed.) § 1132, at page 96 of the pocket part to that work, says of *Lundgren*, supra:

"This forthright scholarly opinion, if heeded elsewhere, should end any doubt as to the scope of review of findings of fact."

Lundgren, supra, is also a very important precedent in the instant appeal for Plastic apparently seeks to expand the scope of review on appeal by contending that the trial court's findings of fact were conclusions of law (Plastic's Br. 40). In *Lundgren* this Court endeavored to formulate a test for distinguishing between findings of fact and conclusions of law. At page 115 of that opinion it was said:

"A finding of fact, to which the clearly erroneous rule applies, is a finding based on the 'fact

finding tribunal's experience with the main springs of human conduct.' A conclusion of law would be a conclusion based on application of legal standard."

* * * * *

"In the principal case the finding of mutual mistake can be fairly said to be derived not *solely* from application of legal standards, but from the trial judge's experience with human affairs." (Emphasis supplied)

The paragraph last quoted above, when paraphrased, is directly applicable to the case at bar for it is obvious from the nature of this case that the trial judge's findings were based on his "experience with the main springs of human conduct" and not derived solely from application of legal standards. Some of the complained of activities of Plastic would not be illegal if not done with the wrongful intent to harm Butterfield; for example, Plastic itself doesn't quarrel with the substantive law that coercive litigation is tortious; rather, Plastic merely argues that the litigation complained of was filed in good faith. This is also true of Plastic's attempted excuse for its wrongful use of the indemnity offer (Plastic's Br. 37, 76). The trial court's findings of Plastic's wrongful intention to harm Butterfield by the complained of activities is clearly a finding of pure fact which this court should accept unless "clearly erroneous."

The following authorities show that each of the trial court's findings which Plastic seeks to circumvent as conclusions of law (Plastic's Br. 40-47) were findings of fact, not law, which may only be set aside if clearly erroneous. Those findings of fact which Plastic specifies as error but which Plastic apparently admits are pure findings of fact and only subject to attack if

"clearly erroneous" are not specifically discussed in this portion of Butterfield's brief as they are clearly supported by the evidence and record.

1. The scope of the Butterfield and Tuohy Patents (Spec. of Err. No. 5 and 6; Br. 40-41) were findings of fact.

Kim Bros. v. Hagler, 276 F.2d 259, 262 (9th Cir. 1960).

2. The existence of a file wrapper estoppel against the Tuohy Patent (Spec. of Err. No. 8; Br. 41) was a finding of fact as "* * * 'the existence of an estoppel is a question of fact.'"

Quon v. Niagara Fire Ins. Co. of New York, 190 F.2d 257, 260 (9th Cir. 1951).

3. The wrongful and improper purpose and use of Plastic's license agreements and royalty base were findings of fact (Spec. of Err. No. 11, 19, 21; Br. 42, 44, 45).

Zajicek v. Koolvent Metal Awning Corp. of America, 283 F.2d 127, 132 (9th Cir. 1960).

Switzer Bros., Inc. v. Locklin, 297 F.2d 39, 44 et seq (7th Cir. 1961).

4. The findings that a substantial number of manufacturers make the Butterfield lens and that Butterfield has been substantially damaged are findings of fact (Spec. of Err. No. 12, 13, 20, 22, 24; Br. 42-46).

Switzer Bros., Inc. v. Locklin, supra, at p. 47.

5. Findings that Plastic was guilty of unfair competition in doing the complained of actions may only be set aside if clearly erroneous.

High Fidelity Recordings, Inc. v. Audio Fidelity, Inc., 305 F.2d 86, 88-89 (9th Cir. 1962).

Reachi v. Edmond, 277 F.2d 850, 854 (9th Cir. 1960).

6. Findings of bad faith in Plastic's complained of actions may only be set aside if clearly erroneous.

Lassiter v. Guy F. Atkinson Co., 176 F.2d 984, 993, 996 (9th Cir. 1949).

7. The trial court's findings of fact on the motives and effect of Plastic's complained of actions on the restraint of trade—violation of antitrust law issues may not be set aside unless clearly erroneous.

United States v. Oregon State Medical Soc., 343 U.S. 326, 332 (1951).

United States v. Yellow Cab Co., 338 U.S. 338, 341-342 (1949).

C. The Butterfield "Bi-Curved Conforming" Type Lens Is In Substantial Use, And The Butterfield Patent Has Utility And Differs Substantially From The Tuohy Patent

1. Prior Litigated Patent Cases Involving The Tuohy And Butterfield Patents

The only prior litigated action involving the Butterfield Patent or the Butterfield lens was the prior Portland action hereinabove discussed, and that action was only litigated up to the point of settlement and consent judgment.

The Tuohy Patent has been involved in the following three litigated patent cases, in addition to the prior Portland action, but none of the following actions involved the Butterfield Patent or the Butterfield lens, and in none of those actions was the new item of prior art (Ex. 68; App. 67-69), before the Court.

(a) *Pacific Contact Laboratories v. Solex Laboratories*, 209 F.2d 529 (9th Cir. 1953). There the Tuohy Patent was before this Court on appeal from a judgment by the late District Judge Ben Harrison, holding the Tuohy Patent valid "but of limited scope" (Ex.

128). In that action the defendant conceded infringement if the patent should be held valid, so there was no issue as to whether or not the claims of the patent were limited by file wrapper estoppel.

This Court sustained the lower court judgment after commenting that the novelty of the Tuohy Patent resided in the fact that the lens was smaller than the limbus of the eye and had a specified relatively longer or flatter radius of curvature than the cornea, by virtue of which it was caused to rest at its center point on the center or apex of the cornea and flare away from the cornea radially outwardly from that point.

That appeal came before this Court on a grossly inadequate record for a patent case, the only prior art produced being the file wrapper art which had been cited and considered by the Patent Office. Because of the absence of better prior art before the court, Solex was able to make it appear that the only contact lens known before was the "scleral" type lens which covered the entire cornea and extended onto the sclera or white of the eye, requiring the use of a chemical buffer solution between the lens and cornea, and which could only be worn comfortably for an hour or so at a time. Thus Solex was able to make it appear that patentee Tuohy was a sort of "pioneer" in the art, which representation is exploded by Ex. 68 (App. 67-69) placed before the trial court in this action.

Ex. 68 is an article published in the April, 1936 issue of Fortune Magazine (12 years before the Tuohy Patent was applied for). The article describes both the "Zeiss" corneal contact lens (smaller than the limbus) and the "Danz" scleral type contact lens, and their substantial sale and use in this country during and prior to 1936. That item of prior art was never before any court prior to this action and was not before the Patent Office when it granted the Tuohy Patent. Plas-

tic's brief conveniently fails to mention this important item of prior art.

(b) *Solex Laboratories v. Graham*, 165 F. Supp. 428 (S.D. Cal. 1958). That was a patent infringement action instituted by Solex against six fitters of the flatter type corneal lens, three of whom were customers of Plastic. Those customers were defended by Plastic's counsel. That was a case in which the misused "Memorandum of Decision," referred to in *Solex Laboratories, Inc. v. Plastic Contact Lens Co.*, 268 F.2d 637, 639 (7th Cir. 1959) was rendered. In that case, prior art additional to that before the court in *Pacific Contact Laboratories v. Solex Laboratories*, supra, was introduced. The late District Judge Tolin sustained the validity of the patent as covering the flatter type lens and, because of what it considered to be the lack of more pertinent prior art, it was also made to appear to the court that patentee Tuohy made an outstanding advance in the art. Those judgments were on appeal to this Court at the time Plastic acquired Solex, and Plastic made it a condition of the acquisition that the appeals be dismissed before being determined on their merits, which was accomplished by the plaintiff waiving the damages and taking injunctive relief (F. 10; App. 7).

(c) *Solex Laboratories, Inc. v. Plastic Contact Lens Co.*, supra, was a partially litigated patent infringement action on the Tuohy Patent brought by Solex against Plastic. The action was terminated by consent decree and dissolution of the preliminary injunction after Plastic acquired Solex.

2. General Facts Re Corneal Contact Lenses

Both the Tuohy and Butterfield Patents relate to corneal contact lenses. As the name implies, a corneal

contact lens is one worn on the optical (pupillary) area of the cornea within the boundary of the cornea as defined by the "limbus" (F. 7(a); App. 4). Capillary attraction or surface tension between the lens and the tear film on the eye prevents the lens from falling out. Corneal contact lenses, as such, were being commercially sold and used in this country at least in or before April, 1936, by the Zeiss Company of Germany. That lens was made of glass and, as described in the Fortune Magazine article (Ex. 68), of April, 1936, it "fitted only over the iris and pupil." Subsequently, various inventors, including Tuohy and Butterfield, invented particular improvements in the lens.

3. Plastic Is Estopped By The Former Settlement And Judgment To Claim That The Tuohy Patent Is Of A Scope Embracing The Butterfield Lens, Or That The Butterfield Patent Is Without Utility Or Is Limited Beyond Its Claims.

When Plastic, in the settlement documents (Ex. 1-3, F. 21, 22; App. 14-17) stipulated that the Butterfield Patent was not only valid but had been infringed by its predecessor, Solex, for which it contracted to pay approximately \$66,000.00 as damages, and that Butterfield had not infringed the Tuohy Patent, it clearly established at least two things relevant to the issue of scope and usage of the Butterfield lens:

(a) That the Butterfield lens had substantial utility, commercial adoption and usage as well as trade appeal;

(b) That the Butterfield lens was substantially different from the Tuohy lens and that it did not infringe the Tuohy lens.

The latter is a species of *res adjudicata* or estoppel by judgment adverse to Plastic's position in which it

now asserts a narrow and allegedly useless scope for the Butterfield lens. For ought that appears here, the Butterfield lenses challenged by Plastic and Solex in the former litigation were the same as those now before the Court in the instant case, and exemplified in Ex. 122a, a plastic model. Since Plastic admits that Solex made lenses and infringed the Butterfield Patent without obtaining any judgment or commitment that the lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, it is clearly bound to an adjudication in the consent judgment, or to an admission, of substantial utility for the Butterfield teachings, without infringement by a Butterfield device of the Tuohy lens.

Such consent judgments usually have the same effect as ordinary judgments, from the standpoint of estoppel or *res adjudicata*, with respect to the subject matter before the court. In dealing with the effect of a consent decree in prior patent litigation, *Baltz v. Botto*, 147 F. Supp. 468, 476-477 (W. D. Tenn. 1956), the Court stated:

"The defendant Southern Toy Manufacturing Company, through Willie O. Wetzel, was and is in privity with the party defendants to the Arkansas consent decree, entered December 2, 1952, in Civil Action No. 2461, * * * and, therefore, * * * is bound by said decree and is barred and estopped from contesting the issues of validity and infringement with respect to the single claim of the original Baltz patent reissued as Re. 23,849 and such issues are *res adjudicata* against Southern Toy Manufacturing Company."

See *Ingraham Co. v. Germanow*, 4 F.2d 1003 at 1003 (2nd Cir. 1925), a patent infringement suit wherein Judge Hand said:

"The decree entered upon their consent is a

good estoppel, though the issues were not litigated, and while it stands they are as much bound by it as though the later suit had never been brought. (Citing cases)."

Also see *J. Kahn & Co. v. Clark*, 178 F.2d 111, 114 (5th Cir. 1949), *Ventura Consolidated Oil Fields v. Rogan*, 86 F.2d 149, 158 (9th Cir. 1936), *United States v. Radio Corp. of America*, 46 F. Supp. 654, 655-56 (D. Del. 1942), and *State ex rel. Dean v. Dean*, 136 Or. 694, 698, 300 Pac. 1027 (1931).

Yet Plastic, after having taken a Butterfield license in 1960, which act precludes it from attacking both the validity and utility of the Butterfield Patent [see *Bowers Mfg. Co. v. All-Steel Equip., Inc.*, 275 F.2d 809, 810-11 (9th Cir. 1960), *Hall Lab., Inc. v. National Aluminum Corp.*, 224 F.2d 303, 306 (3rd Cir. 1955), and *Application of Nelson*, 280 F.2d 172, 178 (C.C.P.A. (Patents)) (1960)], and after becoming a party to the broad consent judgment of April, 1962, now says that its lens, limited under its patent claims to a single curve fulcruming on the apex of the cornea and flaring away radially from the paraboloidal corneal surface, is the only one which covers under modern techniques because, and only because, in the flatter peripheral corneal area, it flares away from the opposite corneal surface, whereas, as Plastic claims, Butterfield, in this peripheral area, must conform with mathematical and geometric precision. See Plastic's brief, among other places, at pp. 19, 22, 23, 65, where this contention is repeated. If the assertion fails, the entire fabric of Plastic's argument fails, because Plastic seeks to justify all of its challenged acts except its accused royalty base on this narrow, technical thread.

4. The Tuohy Patent Is Limited By Its File Wrapper As Well As New Prior Art (Ex. 68), And Is A Mere Improvement And Not A "Pioneer" Patent As Asserted By Plastic

The one and only lens disclosed by the Tuohy Patent is a spherical lens fitting within the limbus and of sufficiently longer radius (flatter) than the curvature of the cornea that it will flare away or provide a gradually increasing clearance between the lens and cornea from the center of the lens outwardly. Plastic's brief seeks to distort that language as meaning that the "center" of the lens there referred to is the entire optical area which occupies most of the lens area. This distortion, however, is directly contrary to the specification of the patent (Ex. 43, Col. 3, lines 39-47), reading as follows:

"Another characteristic of the lens is that it has a radius of curvature slightly greater than the radius of curvature of the cornea to which it is applied or, in other words, the lens is slightly flatter on its concave side than the convexity of the cornea. In this matter the major portion of the contact between the lens and the cornea will occur near the center of the cornea or in the neighborhood of the location indicated at 17."

By referring to the Tuohy Patent drawing (Fig. 1), it will be seen that point "17" is the point of the geometrical center or apex of the cornea. In fact, this Court, in *Pacific Contact Laboratories v. Solex Laboratories*, 209 F.2d 529, 531 (9th Cir. 1953) said that the Tuohy lens "rests on the cornea only at its center point."

The lens disclosed and described by the Tuohy Patent is one which fits within the limbus and is distinguished by having its concave surface defined

by a spherical curve of uniform radius and which curve is sufficiently flatter or of longer radius than that of the cornea that it will contact the cornea only at its center point and *gradually* flare away from the cornea radially outwardly from that contact point. The curve terminates at the peripheral edge of the lens which is beveled to enable the lens to slide over the limbus onto the white of the eye when it moves in response to blinking of the eyelid.

The Tuohy invention followed by twelve years the commercial exploitation of the Zeiss glass corneal contact lens (Ex. 68) and was undoubtedly popular for a while because it was made of light-weight optical plastic. However, it lost much of its popularity when the Butterfield bi-curved lens was introduced. As the evidence shows, and as Plastic's brief at p. 18 acknowledges "present day lenses are usually bi-curved." Also it is important that Solex was determined in the prior Portland action (Ex. 1) to be making the Butterfield lens and therefore infringing the Butterfield Patent.

Claim 1 of the Tuohy Patent (Ex. 43) reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a *radius of curvature* on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Claim 2 reads the same except that it adds that the peripheral edge of the lens has an angular bevel.

The part of that claim which defines the extent to which the lens is flatter or of longer radius than the cornea was a condition precedent to Tuohy obtaining allowance of any claims, as shown by the Tuohy file wrapper, Ex. 113, in which Tuohy at first sought to obtain claims which merely call for the lens to be "flatter" without specifying how much flatter. See original claim 8 reading as follows:

"8. A contact lens applicable to the cornea of the human eye consisting of a generally convex section of transparent or semi-transparent material and characterized by being disposed wholly within the limbus of the eye to which it is applicable and having a flatter curvature than the curvature of the cornea to which it is applicable."

The Patent Office rejected those claims and Tuohy substituted therefor the above quoted claim 1 of his patent.

The file wrapper also shows that patentee Tuohy at first sought to obtain claims whose only material limitation was that the lens be smaller than the limbus. See original claim 1 of the application reading as follows:

"1. A contact lens applicable to the cornea of the human eye consisting of a generally concavo-convex section of transparent material having a diameter slightly less than the diameter of the limbus of the cornea of the human eye but greater than the maximum pupil opening thereof."

That claim was rejected by the Patent Office and cancelled by Tuohy.

Therefore, it is clear that patentee Tuohy is now estopped by file wrapper estoppel to broaden the

claims of his patent by interpretation beyond the specific limitations which the patentee necessarily inserted to obtain their allowance.

The physical necessity for the limitation in the Tuohy Patent claims as to its being flatter is important when we consider the parabolic contour of the cornea. In order to fit a spherical lens on a parabolic cornea, it is obvious that the lens would necessarily have to be a great deal flatter in order for the marginal area of the lens to clear the relatively flatter marginal portion of the cornea. Otherwise the lens would fit the cornea like a suction cup.

This is made apparent by the enlarged plastic models, Exs. 122, 122a, 122b and 122c. Ex. 122 is illustrative of the human cornea. Ex. 122a is illustrative of the Butterfield lens, Ex. 122b is illustrative of the Tuohy lens, and Ex. 122c is illustrative of how a conforming spherical lens which has a curvature corresponding to the curvature of the central part of the cornea would fit a parabolic cornea.

Because it is relatively flatter, the Tuohy lens has the "apical touch"—that is, it fulcrums about the apex of the cornea—described by Dr. Conlogue (Tr. 321). Also, as described by Dr. Wesley, President of Plastic, in his patent application, Serial No. 701,153 (Ex. 114, p. 9):

"We have found that when contact lenses are fitted which are flatter (of greater radius) than the ophthalmometer readings, they float around on the cornea and cause considerable abrasion because of their friction there against."

Also, in connection with Plastic's frequent references throughout its brief to the Tuohy Patent as being a "pioneer" patent, it is interesting to note in its file wrapper (Plastic's App. 78a), the following representa-

tion made to the Patent Office to obtain the allowance of the Tuohy Patent claims:

"It is believed that the Patent Office should consequently recognize the merit of this *improvement* by granting the claims herein submitted."

5. Butterfield Has Not Asserted Any Scope For His Patent Broader Than The Clear Language Of Its Claims

In reaching his invention, Butterfield designed his lens to overcome several physical as well as ophthalmological problems. The first one of those problems was the physical difficulty of fitting a spherical lens to a paraboloidal cornea. Another problem was the desirability of obtaining the maximum capillary attraction between the lens and tear fluid to hold the lens on the eye. Still another difficulty was the ophthalmological problem of obtaining proper visual acuity. For instance, the film of tear fluid on a cornea itself has an optical power which must be computed in arriving at the optical power of the lens (Tr. 299). Butterfield realized that a bi-curved lens would better fit a paraboloidal cornea, and he realized that if he made the optical area of the lens to conform to the optical area of the cornea, he would obtain a tear film of uniform thickness between the lens and cornea which would facilitate accuracy in determining the optical power of the lens. Butterfield thus designed his lens to have two curves of relatively different radii, one to *conform* to the entire optical area of the cornea, and the other to *correspond* or relate to the marginal area of the cornea in a way to allow for tear circulation, without being spaced from the cornea far enough to break the capillary attraction.

The Butterfield invention is described in claim 1 of the patent as follows:

"1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea." (Ex. 45).

Plastic's brief, in discussing the Butterfield invention, commits its cardinal error in that it entirely disregards the language of the patent claims, which describe the two curves of *relatively different radii*, one *conforming* and the other *corresponding*. Plastic would have this court believe that both curves necessarily "conform."

The Butterfield lens is popularly referred to in the trade as the bi-curved or "Bi-curved conforming lens," and it is undoubtedly probable that in discussing his lens and patent with members of the trade, he has at times referred to it by the name popularly associated with it in the trade. That, however, does not necessarily mean that the entire lens must conform, contrary to the patent.

There is no evidentiary showing that Butterfield has ever enforced or sought to enforce his patent as covering a lens other than is specifically described in claim 1 of his patent, nor has he made any such contention in this case (F. 71; App. 61). Therefore, there is no question of file wrapper estoppel involved in this ac-

tion in connection with the Butterfield Patent. Before file wrapper estoppel comes into play, a patentee must be claiming more than he specified in his patent claim.

It is true that, before introducing in the patent application the claims which became the claims of the patent, Butterfield had introduced and relinquished claims limited merely to a description of the paraboloidal shape of the lens without specifying the curvature relationship of its respective curves to the cornea. The file wrapper shows that when Butterfield inserted claims defining that relationship, the claims were allowed and became the claims of the patent. Contrary to what Plastic states in its brief (at p. 57), the claims in the application for the Butterfield Patent were not rejected on the Tuohy Patent. The file wrapper (Ex. NN, p. 11) shows that the Patent Office merely cited the Tuohy Patent as "related art" in that it showed a beveled edge and did not cite it for "interference."

In an attempt to show that the application for the Butterfield Patent is not a valid continuation in part of the earlier filed Butterfield application, Plastic bases its argument on a comparison of Fig. 1 of the patent drawing (which is not an enlarged view) with a vastly enlarged fragmentary sectional view of the marginal portion of the lens only in the earlier application. If the two views used by Plastic as its basis of comparison were equally enlarged, the relationship of the secondary curve to the cornea would be approximately the same.

Plastic argues that the Butterfield Patent is not a valid continuation-in-part of an earlier filed application for which the application for the Butterfield Patent was substituted (Plastic's Br. 53). Moreover, this was an issue in the prior Portland action and was determined adversely to Plastic by the Butterfield Patent being declared valid,

so that that issue is no longer debatable. In any event, Plastic's argument is shown to be without merit by the file wrappers of the two applications (Ex. NN, 00).

Research Products Co. v. Tretolite Co., 106 F.2d 530, 535-536 (9th Cir. 1939), was a patent infringement action in which file wrapper estoppel was unsuccessfully urged upon the court to justify a claim of non-infringement. The court found that no file wrapper estoppel existed where the claims of the patent as allowed were broad enough to cover the alleged infringing process even though the file wrapper showed that a withdrawn claim called for the use of a particular element which the trier of facts found fell within the language of the patent claims as allowed. The following is quoted from the opinion:

"Upon the claim of non-infringement the appellants contend that the claims of the patent are limited by occurrences in the patent office shown by the file wrapper. It is shown that claim 14 specifying the use of a sulfonated oil as a treating agent was withdrawn; hence that the 'sulfonated oil' used by the appellants cannot infringe. Claim 14, the special master held, was broad enough to include treatment by modified mineral oils, not shown or included in the specifications and hence the claim was properly withdrawn. In any event its withdrawal did not affect the plain terms of the claims allowed. Such withdrawal would only be important where the allowed claims were ambiguous."

6. The Tuohy And Butterfield Patents Differ Substantially

Additional comparisons between the two patents show that the trade is making the Butterfield lens.

(a) Tuohy nowhere claims or shows in his patent

anything resembling the bi-curved feature of the Butterfield lens which specifically calls for the concave lens surface over the periphery of the cornea "to be formed on a curve different from that of said central area." Tuohy calls only for a single curve having "a radius of curvature * * * slightly greater than the radius of curvature" of the cornea to which it is applied. This is emphasized by the later claim language of Tuohy "so that radially from the center of the lens" there will be "gradually increasing clearance." This language, by no rational stretching, can be made to include any bi-curved feature such as is called for by Butterfield.

(b) Butterfield does not, as Plastic asserts, call for conformity in that portion of the lens opposite the periphery of the cornea (the non-visual area of the cornea). In addition to substituting the word "correspond" for the word "conform", in describing the relationship of his lens to the opposite area of the cornea, Butterfield also adds the enlarging and at the same time modifying phrase "whereby space is provided for the natural, uninterrupted circulation of lacrimal fluids between said lens and cornea."

If, in fact, as Plastic erroneously contends, fitting practice is to have the lens slightly flare away in the peripheral area, then assuredly this relationship is called for by Butterfield but only in the peripheral area as distinguished from Tuohy.

The difference in language between that applied by Butterfield to his central curve and that applied by him as to the peripheral curve is significant. Since different language was employed to depict the two areas of relationship, the court should give effect to both and must assume that Butterfield meant a wider degree of latitude for the promotion of adequate tear flow in the periphery than he did in the central area.

(c) Since the Tuohy lens is not bi-curved to approximate or substantially parallel the paraboloidal corneal contour, it can only be made to flare away in the periphery if it fulcrums on the apex of the cornea and radically departs from the steeper central visual area enough to allow for the flare in the periphery. This bears no resemblance to Butterfield or the fitting of bi-curved lenses in the trade as described by the many qualified witnesses who testified on the trial (App. 71-79) or in the trade literature identified on trial (App. 81-84).

(d) Of interest in the interpretation of the two patents is the rather obvious circumstance that each device is intended to be applied to a very small and delicate part of the human anatomy, the cornea, which is characterized by many minute surface irregularities. This type of relationship involves a field where mathematical, engineering or geometric accuracy cannot be achieved either in the claims of the patent or in actual practice. Quite obviously some reasonable degree of latitude must be allowed in describing the relationships which can at best only be reasonably accurate approximations. [See F. 7(b); App. 4 and supporting references, particularly the testimony of Dr. McClain, an ophthalmologist called by Plastic (Tr. 620)]. Plastic, while asserting exaggerated elasticity in the interpretation of its claim under the Tuohy Patent in disregard of the fundamental teachings of the specifications, insists on exact minute mathematical precision in the construction of the claims of the Butterfield Patent, by contending for absolute and strict conformity by Butterfield in the periphery, even though his patent claims do not require it.

(e) The record does not establish that trade practice is to fit the concave peripheral curve so that it flares away from the opposite corneal surface but, rather, that

most fitters seek to achieve a degree of conformity or parallelism in that area as well. (See the testimony of witnesses Butterfield, Conlogue, West (App. 71-79) and the trade literature analyzed at App. 81-84).

(f) Plastic has misconstrued the teachings of the trade literature and what is taught by the fluorescein tests. Its brief (pp. 21, 22) states: "The greater is the clearance between the lens and the eye, the more brilliant will be the fluorescent glow, as the thickness of the tear layer increases." Obviously, increasing the clearance between the lens and the opposite cornea area in its periphery on a *uniform*, rather than on a divergent, basis increases the space for a tear layer, which the Butterfield Patent teaches; however, this does not mean that the concave lens surface diverges or flares away from the curvature of the cornea. The curvature of each will substantially conform but the fluorescein pattern in the periphery will have a more fluorescent glow than in the visual area where the clearance is closer. If Plastic were right, the fluorescein band in the periphery would not be of a uniform fluorescence but would sharply increase from the inner peripheral edge to the outer peripheral edge.

Yet none of the fluorescein test teachings from the trade cited by Plastic call for this change of shading.

(See Ex. 104-j, Plastic's Br. 22):

"A band of green, preferably not too dark in color, surrounding the lens, and *indicating peripheral clearance*."

Also see Ex. 104-e, referred to by Plastic, which states: "The dye pool at the periphery should be a wide deep green pool."

While the secondary or marginal curve of the Butterfield lens differs in radius from its medial or primary curve, so does the curvature of the cornea in that non-optical area. On the other hand, a lens in accordance with

the claims of the Tuohy Patent will, under fluorescein test, show touch of the geometrical center point of the lens with the center point or apex of the corneal surface, and will show a tear pattern of progressively increasing thickness and glow from the center point of the apical touch radially outwardly to the periphery. A fluorescein test of the Tuohy lens would show no tear pattern where the center of the lens touches the apical surface of the cornea (the touch causes the tear film to be squeezed away from that point).

The Appendix to this brief, pp. 81-84, contains a summary analysis of the trade literature, particularly as it bears on peripheral fit, and, almost without exception, where this relationship is discussed or depicted by fluorescein or otherwise, it does not call for a flaring away from the corneal periphery by the opposite concave surface of the lens.

While, for reasons previously shown, it is clear that Butterfield teachings, as to his peripheral curve, permit a mild degree of flaring away from the corneal periphery, sufficient to allow for the flow of tear fluids, if in fact substantial segments of the trade fit the lenses without such a flaring away characteristic but more in a conforming though less tight pattern than the entire basis of Plastic's attack disappears.

At pages 18-23 of its brief, Plastic continues its attempt to mislead this Court to believe that the Tuohy patent is entitled to a scope which covers all corneal contact lenses, including the Butterfield bi-curved conforming type lens. This it seeks to do by misleading, fragmentary, out-of-context quotations liberally interspersed with conclusions nowhere supported in the evidence. However, in this case we are only concerned with whether or not the Tuohy patent covers the lens of the Butterfield patent, and whether the Butterfield patent covers the lens described in its claims, both

questions having been concluded between the parties adversely to Plastic's contention by the settlement and Consent Judgment (Ex. 1-3) in the former litigation.

7. The Butterfield Lens Has Widespread Trade Adoption And Usage

In any event, the evidence in this case, comprising testimony of various trade witnesses (App. 71-79), and trade literature (App. 81-84), adequately shows that the corneal lens being most predominantly advertised and sold today is the Butterfield bi-curved conforming type in which the primary curve conforms to the optical zone of the cornea, and the secondary or marginal curve is so corresponded or related to the marginal portion of the cornea as not to interrupt tear flow. While it is true that in most cases that is also a "conforming" relationship, sometimes it might be a slight diverging or converging relationship. As Dr. Conlogue testified (Tr. 314), the secondary curve is the "fitting curve" used by fitters to adjust the wearing comfort of the lens. In any event, the claims of the Butterfield patent do not require that the secondary curve correspond to the cornea in any precise manner other than that it be of a radius different from that of the primary curve and that it not interrupt tear flow.

One of Plastic's arguments is that the testimony of its witness, Dr. McLean (Tr. 617-628), supports its theory. That witness, although he is undoubtedly a qualified physician, did not testify that he had ever fitted a corneal contact lens. Stripped of technical language, his testimony was to the effect that the cornea is full of microscopic irregularities [which the Butterfield patent specification states, and which the trial court found to be the case (F. 7(a); App. 4)] and that he had discovered that fitters sometimes commit error

in reading their cornea measuring instruments, and that some of them even find that the true apex or high point of the cornea is not precisely at its geometric center. Then, on that basis, Plastic concludes and speciously argues that even a bi-curved conforming Butterfield lens might sometimes be flatter than some localized microscopic spot on the corneal surface and that, therefore, such a lens would be the "flatter lens" of the Tuohy patent.

Plastic's witness, Dr. West (Tr. 636-668), a college professor, whose practice as a corneal lens fitting optometrist was for a period of about a year in the 1950's, was not very definite about anything, except that it was his information that fitters had different opinions as to how large or how small a lens should be, and that the characteristics of the correspondence of the secondary curve of the lens to the margin of the cornea would vary with the width of the lens. Moreover, even Dr. West conceded that there is a difference of opinion in fitting techniques in the periphery (App. 77-79).

We need not speculate as to whether Dr. McLean has discovered some phenomena which nobody else has discovered, or whether Dr. West's information as to the differences of opinion is correct, because neither has refuted any of plaintiff's evidence.

Findings 8, 43, 44 (App. 7, 33-34, 34-35) all of which set forth that the Butterfield lens, subsequent to April, 1962, had widespread adoption in the trade, including large numbers of Plastic licensees, are amply supported in the record as shown by the references appearing in the Appendix and as shown by the portions of the Appendix setting forth the testimony of certain witnesses (App. 71-79) and various items of trade literature (App. 81-84).

The Court in Finding 44 (App. 34-35), after refer-

ring to the fact that several manufacturers were called by Butterfield who testified to the substantial use of Butterfield lenses and described the type of lenses which the trade was making, commented that no contrary witnesses or evidence were offered by Plastic. Since this is a trade controversy, where the adoption and use of Butterfield lenses among prospective licensees was a vital issue, it is quite obvious that Plastic, by its failure to produce a single witness in this area having any trade background, even including anyone from its own organization, has admitted that contrary evidence does not exist either among its own licensees or elsewhere. The witnesses called by Butterfield, including Butterfield himself, were all interrogated fully as to the characteristics of the lenses being made and several witnesses testified that their testimony as to trade usage was based not only upon trade contacts but upon actual manufacture, fitting and examination of lenses. Since these witnesses fall in the category of experts having intimate knowledge of trade practice, the Findings of the Court in this area are beyond successful attack on this appeal.

It should also be noted that Finding 63 (App. 60) stating that the Butterfield Patent has been infringed by many of Plastic's licensees is well supported by these same portions of the record. That is merely another way applied by the court of saying that many of Plastic's licensees are making the Butterfield lens, there being no issue of patent infringement in this case.

D. Plastic's Accused Conduct Has The Effect Of Discouraging And Rendering It Impossible For Butterfield To Compete Or Obtain A Fair Return For The Trade's Use Of His Patented Invention

1. Plastic's Unlawfully Enforced Royalty Base Effectively Suppresses Competition By Making It Economically Impossible To Pay A Double Royalty And Either Singly Or In Combination With Other Acts, Is Unfair Competition And A Violation Of The Antitrust Laws

Plastic improperly infers that its accused royalty base is the only phase of the case involving antitrust implications. This is not so, for the trial court, while finding that this particular activity was in contravention of the antitrust laws (F. 57; App. 54-57), also found that all acts of Plastic, the royalty base, trade misrepresentation, coercive litigation and offers of indemnity, taken singly or in combination, constituted illegal trade restraints and violations of the antitrust laws. On this appeal, therefore, consideration must be given, in determining antitrust violation, to the entire course of Plastic conduct, rather than to each particular phase, without regard to the others (F. 59; App. 58).

Plastic's only offered excuse for its admitted practice of exacting unitary royalties on all lenses, whether unfinished, ordinary articles of commerce, or Tuohy lenses, or Butterfield lenses, or other types of finished lenses, is convenience of accounting for which, in turn, its sole reliance is placed upon *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827 (1949) (hereinafter cited as "*Automatic*"). The trial court found that the evidence did not sustain Plastic's position (F. 57 (a); App. 55).

In the manufacture of corneal contact lenses, first a block of plastic is preliminarily formed into the general shape of a lens. In that stage, it has not had its edge

portion cut to provide any particular diameter in relation to the limbus of the eye, nor has it been ground to have any particular fitting relationship to the cornea. In that state, it is known to the trade as an unfinished or uncut lens, and it is simply an unpatented piece of lens material which, by further fabrication, can be made into any type of complete and finished corneal lens (F. 28; App. 27-28).

No suggestion appears in the record why it was not feasible for Plastic to exclude from its license base and reporting forms these quantities of unfinished and uncut lenses which are ordinary articles of commerce and which could not fall under the teachings of any patent, for which no prescription interpretation would be required to differentiate between finished and unfinished lenses. Plastic's report forms, Ex. 101c, d, and e, obviously make no attempt at such a distinction but simply require a report from the licensee on the total number of lens devices sold irrespective of type or finished state.

Nor is there any evidentiary showing that any of those unpatented and unfinished pieces of lens material were required to be sold by the licensees with the condition that they could only be made into lenses covered by the Tuohy Patent. Therefore, Plastic cannot claim that it is entitled to collect royalty for those unpatented materials under the provisions of the patent statute relating to contributory infringement [35 U.S.C. § 271(c)].

Before Plastic acquired the Tuohy Patent and the Solex Tuohy Patent licensing program, Solex was employing the license form shown by Form 2, Ex. 46, which made it clear that the only royalty to be paid by the licensee was upon corneal contact lenses covered by the Tuohy Patent, as appears from the following language:

"On or before the 20th day of each calendar month, CENTRAL agrees to supply to SOLEX a true written statement setting forth the total number of lenses *embodying the invention of said Letters Patent* that have been manufactured and sold, or caused to be manufactured and sold by CENTRAL during the preceding calendar month and shall pay to SOLEX the royalty or royalties set forth in Paragraph 2 hereof upon which payment has been made to CENTRAL." (F. 17; App. 12).

There is no evidentiary showing whatsoever that Sorex experienced any difficulty with royalty accountings under that form of contract, although it had used that form from the beginning in August, 1958, until Plastic made said acquisition in November, 1960. Neither is there any evidentiary showing whatsoever that Plastic experienced any royalty accounting difficulties in administering the Sorex form of agreement prior to the change.

Nevertheless, after the acquisition, Plastic substituted for the Sorex form of license agreement the form exemplified by Form 8, Ex. 46. While this form is obviously couched in rather ambiguous language, as observed by the trial court, and very likely was purposely so made, the District Court has generously held that, if properly construed, that agreement only calls for royalties on lenses or devices covered by the Tuohy Patent (F. 27(f); App. 23). The pertinent royalty clauses of the changed contract (Ex. 46, Form 8) read as follows:

"LICENSOR hereby grants to LICENSEE a non - exclusive license to manufacture devices (namely pieces of material in which at least one lens surface is applied thereto and which is adapted to be made into a finished corneal contact lens,) and to use and sell such devices manufactured only

in the United States, its territories or possessions, which license is under said United States Letters Patent No. 2,510,438, * * *

"LICENSEE, solely for the purpose of accounting hereunder, agrees to pay LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:"

Plastic failed to sustain its burden of proof in excusing its accused royalty base as there is no evidentiary showing which necessitated a drastic "simplification" which required or would be enforced to require the licensee to pay royalties on unpatented lens materials. See *Switzer Bros., Inc. v. Locklin*, 297 F.2d 39, 46 (7th Cir. 1961). It is submitted, therefore, that Plastic's real purpose was to continue its royalty volume by exacting payment of royalties on the unpatented fabricating materials, which would have the same effect as if the Tuohy patent covered all corneal lenses—and not because of any real need to simplify royalty accountings as it claims. If the competitive safeguards provided by the antitrust laws could be avoided by any such subterfuge, our antitrust laws would become meaningless. Plastic makes no claim that the Tuohy Patent or any other patent covers only partially fabricated lens materials.

Plastic argues (Plastic's Br. 70) that its license contract form specifically requires payment of royalties on unpatented lens material instead of finished lenses made in accordance with the Tuohy Patent, and that thus the trial court should have so found instead of liberally construing the ambiguous terms of the contract

to declare it valid. However, whether the contract is itself in violation of the antitrust laws or whether Plastic has merely enforced it in violation of the antitrust laws, would appear to be immaterial because, either way, those laws would be violated.

Plastic's brief (p. 24) also mentions that, at the time it adopted or commenced enforcing its accused royalty base, it reduced the royalty rate. However, it is contrary to the antitrust laws for it to require payment of any royalty, no matter how small, on unpatented materials.

In its brief (p. 32), Plastic also boasts that it obtained a legal opinion relating to its accused royalty base. The mere fact that it sought an opinion, however, shows that Plastic was not sure of its position and realized that, even on the advice of counsel, it would have to take its chances that the royalty base might not be upheld by the courts. Our antitrust laws primarily concern the public interest, and the decisions in point reject a royalty base such as Plastic's.

Plastic relies on *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827 (1949), as sanctioning its accused enforced royalty base. However, *Automatic*, supra, for the reasons set forth below, bears no real resemblance either in legal principles or facts to the case at bar.

First, that case involved a license agreement covering 770 (not just one as in Plastic's case) interrelated patents and applications of the licensor, all or part of which were likely to be used in the business of licensee. Obviously, it was an extreme case where difficulties of accounting were said to justify a royalty based on a percentage of licensee's sales. Even there, the license was based on a percentage of sales of *fully manufactured* devices rather than being directly tied to each *unfinished* and unpatented sales unit.

Second, there was no showing in that case that sales of the licensee included items falling under the teachings of patents held by others, competing with the licensor, as is true in the case at bar, where many Plastic licensees were making and selling Butterfield-type lenses and declining to deal with Butterfield because of their unwillingness or inability to pay a double royalty.

Third, there was no showing, as there is here, that the licensor was guilty of other acts, in combination with the challenged royalty base, such as trade misrepresentation, coercive litigation, and the use of indemnity agreements, all directed against a competitor, with both the intent and effect of discouraging and preventing the licensee from doing business with the competitor, even though such licensee infringed the competitor's patent.

Fourth, the attack in *Automatic*, supra, was by a licensee, under the challenged royalty agreement, in an action by the licensor to collect royalties. The case did not, as does the case at bar, involve an attack by a competitor of the licensor asserting that the royalty base under all the facts illegally restrained trade, to the detriment of the competitor. The court, therefore, was not faced with any real challenge that the royalty provision restrained trade illegally as against a competitor, or even, that it tended to create a monopoly to the detriment of a competitor.

In *Automatic*, supra, at pp. 832-833, the court stated that an extenuating circumstance was that the license did not place any restraint upon competition. Here, while the Plastic contract does not expressly place any restraint upon competition, Plastic uses it to exact from its licensees a royalty on all lenses, even if made under the Butterfield Patent, and even on unpatented materials nec-

essarily used in the manufacture of competing lenses. That, therefore, has the direct effect of placing a restraint upon competition because, as the evidence shows, the market conditions are such that a manufacturer cannot pay one royalty on the unpatented materials and another royalty on the finished lenses, or double royalty.

While the case now before the Court is not, technically a "tie-in" case, such as *Mercoïd Corp. v. Mid-Continent Invest. Co.*, 320 U.S. 661 (1943), and related types of cases, such as *Carbice Corp. v. American Patents Develop. Corp.*, 283 U.S. 27 (1930) and *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458 (1938), it does represent the same philosophy, that no matter how convenient or desirable it might be to do so, in the licensing of a patent, the patent owner must not extend or overstep the lawful bounds of his patent monopoly by tying his royalty base to the payment of royalties on unpatented, staple articles of commerce. In *Mercoïd Corp. v. Mid-Continent Invest. Co.*, supra, at 665-666, involving a royalty based on an unpatented switch device, the court in holding patent misuse, stated:

"The grant of a patent is the grant of a special privilege 'to promote the Progress of Science and useful Arts.' Const. Art. I, Sec. 8. It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the patent are narrowly and strictly confined to the precise terms of the grant . . . It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid . . . and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the pat-

entee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use . . . The method by which the monopoly is sought to be extended is immaterial . . . The patent is a privilege. But it is a privilege which is conditioned by the public purpose." (Emphasis supplied)

Mercoïd v. Mid-Continent, supra, and similar cases were distinguished in *Automatic*, supra, at 834, but *not* overruled.

In *B. B. Chemical Co. v. Ellis*, 314 U.S. 495, 498 (1942) the court said:

"The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant."

Plastic's royalty base involves an improper expansion of its legitimate monopoly in that it exacts royalties on Butterfield-type lenses which its licensees may make, when they cannot or will not pay double royalties by paying an additional royalty to Butterfield, and it exacts royalties on staple articles of commerce (unfinished lenses) not covered by its patent.

The evidence shows that the price range existing in the contact corneal lens manufacturing business is such that a manufacturer simply cannot afford to pay a royalty on the finished lens as well as another royalty on the material used in its fabrication—that is, a double royalty. And of the 300 corneal manufacturers in the United States, over half of them are licensed by Plastic, so that it is apparent that Plastic's royalty base is not only a serious hindrance to competition in interstate commerce, but it also makes it practically impossible for manufacturers who are making the Butterfield lens to take licenses from Butterfield (See F. 37, 38, 39, 41; App. 31-33).

Several cases support the proposition that the granted patent monopoly may not be extended so as to suppress competition or acquire monopoly outside the area of the patent itself. They also stand for the rule that the particular form or method by which the monopoly is sought to be improperly extended is immaterial. Inherent in all of them is the underlying circumstance that one of the litigants claiming patent misuse or trade restraint is an outsider, such as Butterfield, who has been wrongfully excluded or restrained in market competition by licensing practices of a competitor.

National Lockwasher Co. v. Garrett Co., 137 F.2d 255, 256 (3rd Cir. 1943) was a suit for infringement defended on the ground of patent misuse as plaintiff issued licenses to manufacturers of metal washers with a provision in which the licensee agreed not to manufacture any other form of non-tangling spring washers except those covered by the plaintiff's patent. On appeal, the Circuit Court reversed the lower court and held for the defendant, sustaining its defense and stating:

"The Supreme Court has made it abundantly clear in the series of decisions above cited that the patentee cannot use his patent monopoly to force upon customers his brand of a non-patented article to be used by the customer in connection with the patented article sold or leased. * * *

"These cases are different on the facts than the one here involved. The patentee in this case is not selling any unpatented goods under a tying-in clause to the licensee. But it is, as the facts are alleged by the Defendant, using its patent monopoly to suppress the manufacture of possible competing goods not covered by its patent. Prior to the cases above cited the Supreme Court had held that a trade agreement involving price fixing and the suppression of a certain type of merchandise transcend-

ed what was necessary to protect the use of the patent or the monopoly which the law conferred upon it. . . . We think the instant case, on the facts as the Defendant represents them, falls within the principle of the cases cited to the extent that the patentee is using the lawful monopoly granted by the patent as a means of suppressing the manufacture and sale of competing unpatented articles. It is not creating for itself a monopoly for unpatented goods, as in some of the cases cited. But it is attempting by means other than that of free competition to extend the bounds of its lawful monopoly to make, use and vend the patented device to the extent where such device would be the only one available to a user of such an article. This monopoly is obviously not covered by the patent. A patentee's right does not extend to the use of the patent to purge the market of competing non-patented goods except, of course, through the process of fair competition."

The reasoning of this case was approved in this Court in *McCullough v. Kammerer Corporation*, 166 F.2d 759, 762 (9th Cir. 1948). There Kammerer issued a license agreement which the court held to be against public policy because it "stifled new competitive inventions and suppressed competitive forces which stimulate newer and better products." As a part of the license agreement, the licensee there covenanted, during the term of the license, "not to manufacture or use or rent any device which will be in competition with the device or devices covered by this license agreement." In condemning this type of agreement and its intended result, the court gave complete support to *National Lockwasher Co. v. Garrett Co.*, supra, and other cases condemning the extension of the patent monopoly:

"The public, in a system of free competition, is

entitled to have the competition of other devices with a patented device and here it is against that public's interest to use the patent to suppress such competition. As stated by the Supreme Court in the recent case of *Transparent-Wrap. M. Corporation v. Stokes & Smith*, 329 U.S. 637, 644, 67 S. Ct. 610, 614: 'Protection from competition in the sale of unpatented materials is not granted by either the patent law or the general law. He who uses his patent to obtain protection from competition in the sale of unpatented materials extends by contract his patent monopoly to articles as respects which the law sanctions neither monopolies nor restraints of trade.' "

Plastic's exaction of a royalty on unfinished lenses capable of being made into Butterfield lenses and on Butterfield lenses has the same practical effect as a covenant by the licensee not to handle any competing type of device. See also: *Pyrene Mfg. Co. v. Urquhart*, 69 F. Supp. 555, 560-561 (E.D. Pa. 1946) *aff'd* 175 F.2d 408 (3rd Cir. 1949); *cert. denied* 338 U. S. 826 (1949); *Cutter Lab. v. Lyophile Crycochem Corp.*, 179 F.2d 80, 91-94 (9th Cir. 1949); *United States v. Univis Lens Co.*, 316 U.S. 241, 248-254 (1941), and *Transparent-Wrap M. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 640-644 (1946).

In *Zajicek v. Koolvent Metal Awning Corp. of America*, 283 F.2d 127, 131-132 (9th Cir. 1960), this Court, in considering a license agreement sustained the trial court in its determination that certain provisions of a patent license agreement involving grant-back obligations were not illegal or unenforceable. The weight to be accorded the findings of the trial judge in this area is exemplified in the following language:

"Clause 10(c) provides for the grant-back of any related patents developed by the licensee. Appellants assert that this clause is illegal under United

States v. Aluminum Company of America, D.C. S.D. N.Y. 1960, 91 F. Supp. 333.

"Appellee points out that in the Aluminum Company case the grant-back provisions were held illegal only 'in the peculiar context of the industry,' and that there 'these particular grant-back provisions constituted a potential restraint.' Appellee further cites Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 1947, 329 U.S. 637, 67 S. Ct. 610, 91 L. Ed. 563, which held that the inclusion in a license of the condition requiring the licensee to assign improvement patents is not per se illegal and unenforceable. We agree. This is a matter for determination by the trial court, and we cannot rule his interpretation was clearly erroneous."

The substantial extent to which Plastic's accused royalty base has affected commerce is also shown by the evidence. The President of Plastic testified that it controlled approximately 22% of the corneal contact lens market (Ex. 12, p. 106). There are over 300 corneal lens manufacturers in the United States, and over 50% of them hold Plastic licenses. To make matters worse, Plastic is itself competing with its licensees throughout the country, through its 24 branch offices.

Plastic's argument that Butterfield, in his licensing, is guilty of the same type of royalty measurement has been fully disposed of (see Br. 21-22, 77-79).

The only way in which *Automatic*, supra, can be reconciled with the basic rule of law, is that, under the particular and extraordinary facts there concerned, involving a tremendous number of patents and particularly since the situation involved no restraint of competition, the court felt justified in sanctioning that particular royalty base because in so doing it would not be letting down the protective bars provided by the antitrust laws

for safeguarding free and unrestrained competition.

When Plastic's illegally enforced royalty base is considered with its series of other associated conduct, the dissent of Justices Douglas and Black in *Automatic*, supra, at 838 is strongly remindful of this case. There those Justices said:

"The patent owner has used the patents to bludgeon his way into a partnership with those licensees, collecting Royalties on unpatented as well as patented articles."

2. Plastic's Use Of Circulars, Letters, And Its Other Acts In The Dissemination Of False Or Misleading Representations As To The Operative Nature Of The Butterfield Patent And The Scope And Effect Of The Consent Judgment And Settlement Agreement In The Prior Action Between The Parties, In An Effort To Induce Others Not To Deal With Butterfield, Is Actionable Conduct

The nature of the false and misleading representations by Plastic, occurring after the settlement, is set forth in the Supplemental Statement of Facts at page 14 et seq., together with references to the findings by the trial court, all fully supported by the quoted record references. The misrepresentations and concealment concerned the terms of the settlement of the parties occurring in April, 1962, improper assertions that the Butterfield Patent lacked utility and was inoperative, and that the Tuohy Patent was pioneer in nature and substantially covered the field. That such misrepresentations are actionable is well established.

In *Solex Laboratories, Inc. v. Plastic Contact Lens Co.*, 268 F.2d 637, 641 (7th Cir. 1959), in which misrepresentations of the type here involved by Solex were

considered, the Court, in issuing an injunction, stated:

"Apart from such general considerations we believe that the facts and circumstances of the instant case are such that it can not be said that the District Court abused its discretion in granting relief. The rule relied upon by Solex is founded upon the good faith of the patent owner warning of infringement. We believe that the conduct of Solex established a lack of good faith. The use Solex made of the California trial judge's 'Statistical Facts and Summary' as well as his memorandum opinion, in context with materials and statements which would lead the reader to believe that there had been a final adjudication to the effect that the Tuohy patent covered all types of corneal type lenses, including those supplied by Plastic, constituted a misrepresentation. It was not an attempt by a patent owner to fairly state its rights. It could have been conceived only to mislead the trade, including Plastic's customers."

The acts enjoined included:

"circularizing, writing, advertising, or in any manner threatening or harassing such customers or suppliers of Plastic with charges of infringement, or attempting to force or induce them into taking a license from Solex, utilizing, advertising, publicizing, disseminating, stating or implying to the trade or public that all contact lenses of the corneal variety are an infringement of the Tuohy Patent."

Price-Hollister Co. v. Warford Corporation, 18 F.2d 129, 131 (S.D. N.Y. 1926), involved false statements to the trade by a patentee as to the nature of a default judgment. The misrepresentations consisted of strong inferences and statements concerning infringement of patentee's device. In directing an injunction the Court stated:

"If the letters and circulars of the defendant are issued and distributed, not merely in good faith, to warn against infringement, but rather for the purpose of destroying the business of plaintiff in advance of adjudication, his property rights are wrongfully assailed, and a court of equity should not be slow to afford relief."

Additional supporting authorities are *Shell Oil Co. v. State Tire & Oil Co.*, 126 F.2d 971, 974-975 (6th Cir. 1942), *Maytag Co. v. Meadows Mfg. Co.*, 35 F.2d 403, 407-409 (7th Cir. 1929), *United Kingdom Optical Co. v. American Optical Co.*, 68 F.2d 637, 639 (1st Cir. 1934).

3. The Institution Or Threat Of Institution By Plastic Of Groundless And Vexatious Civil Suits For Conspiracy Damages Against Plastic Licensees And Others Dealing With Butterfield, Charging Conspiracy With Butterfield And His Attorneys Is Actionable Conduct

To avoid repetition, we refer to our Supplemental Statement of Facts (Br. 16-18) and to Findings 50, 51 and 52 (App. 39-49), in which the Court determined upon a more than adequate record that all of this litigation was brought in bad faith and for the wrongful purpose of preventing Plastic licensees, making Butterfield lenses, from dealing with Butterfield.

Dairy Foods Incorporated v. Dairy Maid Products Coop., 297 F.2d 805, 808-809 (7th Cir. 1961), was a suit for patent infringement in which the answer consisted of alleged misuse of a patent in violation of the antitrust laws and asserted a counterclaim, accordingly. The basis of the conspiracy charged was that the threat of litigation was illegal and that defendants were faced with choosing between the alternatives of ceasing the production of instant milk, defending expensive patent litigation

tion if they refused to accept the license, or accepting a discriminatory and restrictive license under patents controlled by the plaintiff. In sustaining the charges of the counterclaim, the Court stated:

"In our opinion these allegations adequately set forth an injury to defendant in its business or property. The injury is the necessity that defendant make a choice among alternatives each of which has an adverse economic or financial impact on its instant milk business. * * *

"The counterclaim must be considered as a whole. The allegations of paragraph 35 are to be evaluated in the context of those which set forth the antitrust law violations. And they are to be considered in combination with the allegations that *one of the elements of the conspiracy was an agreement that patent infringement suits would be threatened and filed to coerce the acceptance of licenses which would effectuate the conspiracy and that plaintiff by threats of an infringement suit attempted to coerce defendant to accept a discriminatory and restrictive license under the patent pool.*" (Emphasis supplied.)

Litigation and the threat of litigation are powerful weapons. When improperly instituted, litigation entails harmful consequences to the public interest in judicial administration as well as to the actor's adversaries. That groundless litigation brought in bad faith and for coercive trade purposes is actionable is also supported in *International Indust. Develop. v. Farbach Chem. Co.*, 145 F. Supp. 34, 37 (S.D. Oh. 1956), and *Munson Lines v. Green*, 7 F.R.D. 14, 16-17 (S.D. N.Y. 1946).

Apparently, Plastic's sole defense concerning the groundless litigation is the assertion that Plastic acted in good faith or had probable cause for such actions

(Plastic's Br. 37-38). In Findings 50-51 (App. 39-47) the trial court determined that Plastic brought these actions in bad faith and for the wrongful purpose of inducing persons not to deal with Butterfield.

Even if probable cause existed, despite the findings of the trial court, this groundless litigation, when considered with other illegal trade restraints such as indemnity agreements, trade misrepresentation and illegal royalty practices, is still a proper subject for recovery and injunctive relief because it is part of an over-all scheme to illegally damage Butterfield. *Kobe, Inc. v. Dempsey, Pump Co.*, 198 F.2d 416, 424-425 (10th Cir. 1952), was another instance in which a defendant sued for patent infringement charged patent misuse by a violation of the Sherman Act. Among the practices challenged in the trial court was the institution of an infringement action or actions. The following is quoted from the opinion:

"* * * The trial court found that Kobe did not institute the infringement action in bad faith but believed that some of its patents were infringed, and that Kobe intended to secure a judgment which would eliminate defendants as competitors and to remain in exclusive possession of the whole of the interstate markets for deep well hydraulic pumps for oil wells. The trial court also found that the infringement action and incidental activities by Kobe were intended and designed to further the existing monopolistic purposes.

"We have no doubt that if there was nothing more than the bringing of the infringement action, resulting damages could not be recovered, but that is not the case. The facts as hereinbefore detailed are sufficient to support a finding that although Kobe believed some of its patents were infringed, the real purpose of the infringement action and the incidental activities of Kobe's representatives was to

further the existing monopoly and to eliminate Dempsey as a competitor. The infringement action and the related activities, of course, in themselves were not unlawful, and standing alone would not be sufficient to sustain a claim for damages which they may have caused, but when considered with the entire monopolistic scheme which preceded them we think, as the trial court did, that they may be considered as having been done to give effect to the unlawful scheme."

4. Plastic's Wrongful Conduct Breached The Implied Covenant Of Good Faith In The Settlement Agreement

The trial court recognized (F. 59, C. 8; App. 58, 64) that Plastic, by its various wrongful acts, had violated an implied covenant of the settlement agreement of April, 1962, that each party would exercise good faith in attempting to carry it out. The law establishes that parties to contracts, including settlement agreements, are subject to an implied obligation to attempt to carry out the agreement in good faith. See *Henry G. Meigs, Inc. v. Empire Petroleum Company*, 273 F.2d 424, 429 (7th Cir. 1960), *Marrinan Medical Supply v. Ft. Dodge Serum Co.*, 47 F.2d 458, 462 (8th Cir. 1931), and *Perkins v. Standard Oil Co.*, 235 Or. 7, 16, 383 P.2d 107 (1963).

Because of the settlement agreement of April, 1962, Plastic had assumed a clear contractual burden to act in good faith, in doing nothing which would destroy or injure Butterfield's right to the fruits of such contract, and this it failed to do.

5. Plastic's Offer Of Indemnity Was Wrongful As It Was Made For The Purpose, And Had The Effect, Of Excluding Butterfield From The License Market

The trial court found that Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield and his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees (F. 56; App. 51-54).

In the interests of brevity we refer the Court to Findings 48, 49, 55, 56, 59 and 65; App. 39, 50, 51-54, 58 and 60, respectively, and Conclusion of Law VII, App. 63-64, and the citations to the record therein, in support of Butterfield's position that the complained of offer of indemnity was offered in bad faith and for the purpose of inviting the commission of a tort or series of torts in the form of infringement of the Butterfield Patent.

Plastic's indemnity agreement is entirely different from the standard indemnity form customarily used in patent licenses. Plastic's indemnity agreement is invalid as it is not limited to devices manufactured under the teachings of the Tuohy Patent but specifically states: "* * * Licensor shall indemnify Licensee, * * * against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246 with respect to *devices* sold by Licensee * * *." Such "devices," as Plastic construes its agreement, need not be Tuohy type "devices" (F. 56 (c); App. 53-54). Standard form indemnity agreements used in patent licenses offer indemnity against the Licensee's manufacture of devices made under the teachings of the patent owned by the Licensor rather than indemnity from infringement of a named

competitor's patented device as Plastic has done in the instant case.

The indemnity agreement (Ex. 75), in paragraph 1, expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraph 2, 3 and 4 of said patent license * * * upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), Paragraph 2, in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85 per cent of such an award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to enforce a broad royalty base on unpatented items. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on Butterfield's rights under his Patent and look solely to Plastic for indemnity (F. 56 (c); App. 53-54).

The only excuses suggested for the offer of indemnity are alleged misrepresentations by Butterfield of the scope of his patent and Plastic's asserted good faith belief that its licensees were not selling lenses covered by the Butterfield Patent. This position is again bottomed entirely on the erroneous conclusion that substantially all lenses are Tuohy lenses and that substantially none

are Butterfield lenses. It therefore appears that, if Plastic's argument on scope fails, the attempted justification for the offer of indemnity likewise fails. Since we have already adequately discussed our contentions that Plastic's assertions as to scope are wholly unfounded (Br. 30-50), this alone should serve as an effective answer to its position concerning its offer of indemnity.

Significantly, Plastic does not attempt to answer the argument made by Butterfield at the trial that the indemnity agreement is, on its face, invalid because it does not offer indemnity on the condition that the challenged devices handled by its licensees be made under the teachings of the Tuohy Patent. Even if the indemnity agreement were not invalid per se it would be invalid when used, as it was here, as a part of Plastic's concerted effort to wreck Butterfield's licensing program.

It is gross bad faith, damaging both the competitor and the public, for a merchant to use indemnity agreements as a tool of suppressing competition, and as an aid to the maintenance of an illegal royalty practice.

Plastic admits that if its offer of indemnity was made in bad faith it was wrongful (Plastic's Br. 76). The issue of whether the indemnity offer was made in good or bad faith is a pure question of fact which the trial court decided adversely to Plastic (F. 56; App. 51-54).

At page 75 of its brief Plastic makes the following false statement:

"Notably, neither before nor after Plastic's indemnity offer did Butterfield bring an action for infringement against *any* Plastic licensee, despite his having made infringement charges wholesale. The last thing Butterfield wanted was to have a court define the scope of his patent."

Such a false statement characterizes Plastic's disre-

gard for the truth both in its licensing program and in litigation.

The effectiveness of Plastic's wrongful offers of indemnity is clearly demonstrated by the two infringement suits actually filed by Butterfield against Northwest-Northern and Paramount and Rich-Tint and Butterfield's threat of suit against Columbian Bifocal, all Plastic licensees, wherein such firms complained bitterly to Plastic (see typical correspondence, App. 86-90) for Plastic's failure to provide indemnity. All such actions were settled favorably to Butterfield with the infringer in each case taking a Butterfield license. If the indemnity agreement had been in force it is an inescapable conclusion that Butterfield would have been denied a favorable settlement and forced to the expense and delay of prolonged litigation despite the fact the infringers were making the Butterfield lenses (F. 55; App. 50).

Plastic's offer of indemnity was a last gasp effort to prevent complete revolt by its licensees. Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses (see typical correspondence at App. 85) or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties (F. 56 (a); App. 51-52).

In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Pat-

ent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity (F. 56(b); App. 51-52).

As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements. This estoppel is an estoppel to challenge that the Butterfield Patent has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement.

Plastic's offer of indemnity was an improper effort to do indirectly what it could not do directly as it served as an invitation and encouragement to others to contest the validity of the Butterfield Patent.

The following excerpts from case and text authorities make the wrongful nature of Plastic's offer of indemnity, under the facts of this case, abundantly clear:

Metallizing Engineering Co. v. Metallizing Co., 62 F. Supp. 275, 277 (S.D. N.Y. 1945), involved an application for injunction pendente lite restraining defendants from infringing the plaintiff's patent directly or indirectly and from contributorily infringing a reissued

patent. Plaintiff contended that the defendants, as a part of contributory infringement activities, incited others to infringe by instructing them how to do it, by various other methods, and by advising and agreeing with purchasers of defendants' transformers that defendants would safeguard and indemnify their purchasers against the consequences of such infringement. Holding for the plaintiff the court decided:

"to enjoin a bare-faced infringement and the inciting of others to pull defendants' chestnuts out of the fire such as is here revealed by practically undisputed evidence. In fact, it almost seems to me that to call some of the acts of the defendants contributory infringement is a misnomer; they are causing and encouraging others to infringe which might well make them direct rather than contributory infringers."

Also see *Westinghouse Electric & Mfg. Co. v. Diamond S. F. Co.*, 268 F. 121, 128-129 (D. Del. 1920), where defendants' promise of indemnity was in the following form:

"* * * under the basis that, should the Westinghouse Company interfere legally with you relative to the infringement on their royalty patent which they have on this material, we will protect you in the matter of suit, and accept entire jurisdiction and settlement of such suit by our legal department in financial status in the matter of any suit that the Westinghouse Company might bring against you specifically relative to royalty." (at p. 128).

In holding for the plaintiff and in dealing specifically with the matter of indemnity, the court at page 129 said:

"If the gears made by the Eisemann Company

from the material supplied by the defendant are covered by the Conrad patents, is the defendant entitled to exoneration, if it in good faith believed that such gears were not covered by those patents? As this would not be a valid defense in an infringement suit, it is difficult to see upon what principle such belief would be a sufficient justification for interference with the contractual relations of the plaintiff."

Restatement, *Contracts*, § 572 states:

"A bargain to indemnify another against the consequences of committing a tortious act is illegal unless the performance of the tortious act is only an undesired possibility in the performance of the bargain, and the bargain does not tend to induce the act." (Also see "Comment a").

6 Williston, *Contracts* 4956 (Rev. ed.) § 1750, says in part:

"Even though a bargain does not directly require any unlawful or improper act for its performance, if its tendency is to encourage or hold out a reward for a result that can be brought about only by an unlawful act, the bargain is opposed to public policy * * *."

Also see 6 Williston, *Contracts* 4960 (Rev. ed.) § 1751.

The substantial damage to Butterfield directly resulting from Plastic's wrongful offer of indemnity and its other complained of activities will be discussed separately in the following section of this brief.

**6. Butterfield Was Substantially Damaged By
Plastic's Wrongful Conduct Which Effectively
Blocked Butterfield's Efforts To Sign Up
New Licensees**

Plastic's wrongful conduct caused substantial damage to Butterfield with the trial court reserving ruling on the amount of such damage until an accounting is had (F. 60; App. 58-59).

The fact of substantial damage to Butterfield is clear from the fact that although a substantial number of Butterfield lenses were being made by the trade and Butterfield was entitled to a royalty on such devices, Plastic's complained of activities effectively blocked Butterfield's efforts to sign up new licensees and caused some of Butterfield's existing licensees to stop making royalty payments. See the Supplemental Statement of Facts (Br. 11-24) and F. 8, 32-35, 43-45, 49, 58, 62, 63; App. 7, 29-30, 33-35, 39, 57, 59, 60 respectively.

Butterfield, the manufacturers of contact lenses and the buying public have all been substantially damaged by Plastic's wrongful conduct. The following excerpts from *Switzer Brothers, Inc. v. Locklin*, 297 F.2d 39, 47 (7th Cir. 1961) are relevant to the discussion of damage:

“* * * Congress has determined that public injury is inherent in every monopolistic practice or restraint of trade in violation of the Sherman Act. *Klor's, Inc. v. Broadway-Hale Stores*, 359 U.S. 207, 211, 79 S. Ct. 705, 3 L. Ed. 2d 741. In a treble damages action under the Clayton Act the statutory criteria for recovery are satisfied when a plaintiff has alleged and proved an unlawful restraint of trade and damage to himself growing out thereof. *Radiant Burners, Inc. v. Peoples Gas Co.*, 364 U.S. 656, 81 S. Ct. 365, 5 L. Ed. 2d 358.

“Appellants' argument that the evidence fails

to show that appellee's loss of sales which is reflected by the record resulted from appellants' unlawful conduct is rejected for two reasons. First, we will not disturb the findings made upon conflicting evidence, that appellee's sales were restricted as a result of the unlawful conduct. Secondly, we think appellant's contention rests upon a misconstruction of the law which would make injury compensable under the antitrust laws only if the unlawful conduct found to exist stood alone as the causation of the injury. A violation of the antitrust laws is answerable in treble damages for injury to another by the unlawful act even though other factors may have contributed to the injury. * * * (Citing authorities).

* * * * *

"We cannot say that the findings that appellee was damaged by appellants' unlawful conduct are clearly erroneous. * * * "

VI. PLASTIC'S ATTACK ON THE BUTTERFIELD LICENSE AGREEMENTS AND ROYALTY BASE IS WITHOUT MERIT

In an attempt to justify its royalty base which the trial court found to be illegal, Plastic attacks the different formulas found in the Butterfield license agreements which are in the record as parts of Ex. 117. The trial court found, after an examination of the evidence, that the agreements are not in accord with Plastic's contentions concerning them (F. 57(c); App. 55-57) and that they did not require payment of a unitary royalty based on all lenses handled or to be handled by the licensee.

These agreements fell into three categories, one of which consisted of four licensees of Butterfield, Titmus, Utah Optical, Mann Instrument and Southern Contact

Lens, all of whom held license agreements from Butterfield prior to the settlement of the former litigation between the parties in April, 1962. These four agreements did not call for payment of a royalty based on five per cent of the gross sales of all lenses by the licensee. Instead, as appears from the Titmus agreement in Ex. 117, the five per cent of sales was limited to sales of Butterfield lenses by the following in Par. 3 (Payments): "royalty of five percent (5%) of the gross sales price of all corneal contact lenses *coming within the claims of the above mentioned patent.*" As a part of the settlement each of these licensees obtained a free Tuohy license from Plastic and was hence in a position to manufacture either Tuohy or Butterfield lenses without payment of double royalties.

The next class is the so-called "paid-up" license form. An example is the Vision Clear agreement in Ex. 117. In such agreements the licensee pays in cash or in monthly installments a flat total aggregate sum which on the face of the license agreement bears no formula relationship to past, present or future sales of the licensee or the number of units handled by it. Butterfield testified, without contradiction (Tr. 284-6), that his practice in arriving at the amount required to be paid is to ascertain the volume of the prospective licensee in the previous year, obtain a monthly average from this and multiply this by $37\frac{1}{2}\phi$ per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent and the monthly payments or the total aggregate payment remain precisely the same whether the licensee's volume increases or decreases or completely terminates.

The third type is a unitary type which calls for payment of a royalty at the rate of fifty cents per lens on lenses made under the teachings of the Butterfield Patent. An example is the Frontier Contact Lens li-

cense in Ex. 117, which covers a royalty of "50 cents (50¢) for each corneal contact lens * * * *embodying the invention of said letters patent.*" Plastic challenges the latter type because it asserts that its definition of a licensed unit is not necessarily restricted to a Butterfield lens as it narrowly and improperly construes the Butterfield Patent. For reasons appearing elsewhere in this brief, it is clear that Plastic's construction of the patent is entirely too restrictive, so that this objection in turn fails.

In any event, the record is undisputed that, as to all Butterfield licensees he has provided them with a rubber stamp to be placed on invoices accompanying sales of unfinished lenses, requiring that the lenses sold by the licensee be finished only in accord with the Butterfield Patent. Some of the Butterfield license agreements contain similar provisions. See, e.g., the above described Frontier Contact Lens form, Par. 2 E (Ex. 117).

As to the so-called "paid-up" license agreement forms of Butterfield, the record is likewise clear that Butterfield, before soliciting a manufacturer, first determined, by the purchase of sample lenses, that the manufacturer was making a Butterfield type of lens (F. 43; App. 33, 34) and that the licensee's future operations are in no manner geared to a royalty based upon his future volume (F. 57(c)(ii); App. 56).

VII. PLASTIC'S COUNTERCLAIM IS WITHOUT MERIT AND HAS BEEN VIRTUALLY ABANDONED

Plastic's counterclaim is so patently groundless that it deserves no more than summary treatment.

Such counterclaim was raised as a mere afterthought by Plastic six months after it filed its original

answer in the form of a general denial. Subsequently Plastic confirmed the smokescreen nature of such counterclaim and its own reckless disregard for alleging matters in litigation which it can't prove by voluntarily abandoning all of the contentions in its counterclaim with the exception of Butterfield's alleged misrepresentations of the scope of his patent (Plastic's Proposed F. 42; R. 280).

Since all other charges are abandoned, the simple answer to Plastic's position is that there is no evidence of any misrepresentation of any kind on the part of Butterfield or for that matter any improper conduct of any nature on Butterfield's part (F. 66-72; App. 60-61).

VIII. CONCLUSION

The trial court's judgment should be affirmed.

Respectfully submitted,

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CERTIFICATION

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

R. R. BULLIVANT,
One of the Attorneys
for Appellee.



APPENDIX



FINDINGS OF FACT AND CONCLUSIONS OF LAW*

CIVIL No. 63-294

(R. pp. 104-154)

Be it remembered that the above cause came on for trial on the 22nd day of June, 1964, the plaintiff appearing through R. R. Bullivant and Douglas G. Houser, and the defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. Plaintiff and defendant produced evidence on their respective hearings and at the conclusion of the trial, the Court directed each party to submit proposed findings and conclusions. After an exhaustive study and analysis of the record, including the findings and conclusions proposed by plaintiff and defendant, the Court has arrived at the conclusion that the weight of substantial evidence supports the plaintiff's contentions, both of law and of fact. In order to present a more meaningful result, findings of fact and conclusions of law are, in some instances, interwoven.

For brevity, the following definitions will apply unless the context indicates otherwise:

(a) "Butterfield" means the Plaintiff, and "Plastic" means the Defendant.

(b) "Solex" will refer to a former California corporation, known as Solex Laboratories, Inc.

* Legend: "C" appearing at beginning of Finding or Conclusion or portion thereof denotes that Plastic assigns Finding or Conclusion as error in its brief.

(c) "Butterfield & Son" will refer to an Oregon corporation known as George H. Butterfield & Son.

(d) The term "Tuohy Patent" refers to United States Patent No. 2,510,438; whereas the term "Butterfield Patent" refers to United States Patent No. 2,544,246.

FINDINGS OF FACT

1. Butterfield is, and throughout the period here material has been a citizen and resident of Portland, Oregon. He is and has been licensed to practice as an optometrist in the State of Oregon since 1918 but has not done so actively for about two years. He is the majority stockholder of Butterfield & Son which is, and since December, 1948, has been, engaged in the manufacture and sale of plastic contact lenses under a royalty license from Butterfield. Butterfield is also the owner of the Butterfield Patent and has been since its issuance on March 6, 1951. The Butterfield Patent will expire under its terms in March, 1968.

Pre-Trial Order, Agreed Fact 1, R. p. 45; Butterfield Patent, Ex. 45; Butterfield, Tr. 159.

2. Plastic is, and throughout the period here material has been, an Illinois corporation, having its principal place of business in Chicago, Illinois. Plastic is licensed to do business in the State of Oregon and is subject to suit therein. At least since 1948, Plastic has been engaged in the business of manufacturing and selling plastic contact lenses.

Pre-Trial Order, Agreed Fact 2, R. p. 45.

3. The amount in controversy in this action and in the counterclaim each exceeds the sum of \$10,000.00, exclusive of interest and costs, and this Court has jurisdiction of the parties and of the subject matter of the action and of the counterclaim.

Pre-Trial Order, Agreed Fact 3, R. p. 45.

4. The Tuohy Patent for improvements in a corneal contact lens was issued June 6, 1950, to K. M. Tuohy and will expire under its statutory term in June, 1967. It was issued on an application filed February 28, 1948.

Ex. 43 (Patent); File Wrapper of Tuohy Patent Application, Ex. 113.

5. Solex, the original owner of the Tuohy Patent, was until May 12, 1961, a California corporation having its principal place of business in Los Angeles, California. From 1948 until May 12, 1961, Solex was engaged in the business of making and selling plastic contact lenses, and it owned the Tuohy Patent from the date of its issuance until April 12, 1961.

Pre-Trial Order, Admitted Fact 4, R. p. 46.

6. On November 4, 1960, Plastic acquired all the capital stock and control of Solex. On April 12, 1961, the Tuohy Patent was assigned by Solex to Plastic, which still owns it. On May 12, 1961, Solex was liquidated and dissolved (sic), Plastic on that date having acquired its assets and assumed its liabilities, after liquidating and dissolving Solex. Plastic continued to sell to Solex's old customers.

Pre-Trial Order, Admitted Fact 5, R. p. 46; Agreement between Plastic, as buyer, and Tuohy and Zabner, as sellers, dated November 6, 1960, for purchase of all of stock of Solex by Plastic, Ex. 136.

7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

(a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

Wesley Deposition, Ex. 12, p. 45; McClain, Tr. 620; Butterfield, Tr. 305; Conlogue, Tr. 334-5; Satterlee, Tr. 463; Dippery, Tr. 217.

C (b) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion con-

forms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the "bi-curve conforming type."

The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

"The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition."

The Butterfield Patent contains two claims, the broadest of which reads as follows:

"1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural

uninterrupted circulation of lacrimal fluids between said lens and the cornea."

McClain, Tr. 620; Butterfield, Tr. 289, 295, 305, 341; Conlogue, Tr. 335, 320; Satterlee, Tr. 463; Butterfield Patent, Ex. 45; Dippery, Tr. 217; Model, Ex. 122; Drawing, Ex. 151.

C (c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius "flatter," or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the "flatter type lens."

Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

Claim 1 of the Tuohy Patent reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Tuohy Patent, Ex. 43.

C 8. The trade in contact lenses both at the manufacturing, dispensing and fitting levels, has recognized that there are substantial differences between the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the "bi-curved conforming" Butterfield-type lenses.

Butterfield, Tr. 171, 172, 181, 185, 186, 264, et seq, 351, 368, 391-2; Satterlee, Tr. 462-3; Dippery, Tr. 208; Conlogue, Tr. 315, 320; Hunt Deposition, Ex. 149, p. 32, line 21, to p. 33, line 6; Corneal contact lens trade literature, Ex. 104 to 104y, inclusive, particularly at the pages or portions indicated in the pre-trial list covering these exhibits.

9. The Tuohy Patent was adjudged as validly covering the flatter type lens which it describes and claims in *Solex v. Pacific Contact Laboratories, Inc.*, in the United States District Court for the Southern District of California, Central Division, on September 14, 1951.

Opinion of Judge Harrison, Ex. 128.

10. Subsequent litigation in the same Federal District Court was brought by Solex against six fitters of contact lenses for alleged infringement of the Tuohy Patent, one of such cases being known as *Solex v. Graham* (sic), 165 F. Supp. 428 (Aug. 1958). This litigation again adjudged the validity of the Tuohy Patent. In it Plastic, through its attorney, W. M. Van Sciver, defended three of the fitters, and Collins Mason, one of Butterfield's attorneys herein, defended two of the defendants. This activity by Mr. Mason was prior

to any time at which he had been retained by Butterfield. Appeals were prosecuted by the defendants in each of these cases but were terminated without an adjudication on the merits by the appellate court and the appeals dismissed as a part of the transaction by which Plastic acquired Solex in November, 1960.

Mason, Tr. 481-2; Agreement for purchase of Solex stock by Plastic, Ex. 136; Final judgment *Solex v. Graham*, November 28, 1960, Ex. 141.

11. Neither the Pacific Laboratories case nor the cases by Solex against the six fitters involved any device made under the teachings of the Butterfield Patent and Butterfield was not a party to any of that litigation.

Mason, Tr. 482.

C 12. The material and substantial differences between the two patents are additionally shown by factors other than those previously mentioned in these respects:

(a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the patent.

(b) As is hereafter more fully set forth, Plastic, since May, 1960, has been a licensee under the Butterfield Patent and, as such is not only estopped to challenge the validity of the Butterfield Patent but is also estopped to challenge its operative effect or utility.

(c) The prior Portland litigation between the parties which was settled and terminated in April, 1962, as will be hereafter more fully described, was the first court action in which the Butterfield Patent or lens was involved. This was a renewed recognition by Plastic, as well as the decree, that established both validity and utility of the Butterfield Patent as between the parties.

Ex. 1.

(d) Prior publication art, an article from Fortune Magazine for April, 1936, known to Plastic since the termination of the prior litigation, while not disclosing a corneal contact lens with the fitting relationships claimed by either Butterfield or Tuohy, does disclose that corneal contact lenses were known to the public many years before the application for either patent. The Court can find no justification for Plastic's position, asserted on oral argument, that the Tuohy Patent is broad in scope, but that the Butterfield Patent is narrow, and of only very limited utility or use.

Ex. 68; Wesley Deposition, Ex. 12, pages 134-5.

13. At the time of the acquisition of Solex by Plastic in November, 1960, there was pending in the United States District Court for the Northern District of Illinois, Eastern Division, an action by Solex against Plastic for alleged infringement by Plastic of the Tuohy Patent. In this action Plastic had charged in verified pleadings and sworn affidavits filed therein that Solex had practiced deceit and coercion, had misused court opinions for the purpose of coercing manufacturers of corneal contact lenses into entering into license agree-

ments with Solex under the Tuohy Patent and had misrepresented the scope of the Tuohy Patent. In that action Plastic obtained a temporary injunction against Solex prohibiting acts of the kind previously described and this injunction was affirmed on appeal.

See pleadings in *Solex v. Plastic*, #57-C-466, Ex. 66, 67; *Solex v. Plastic*, 268 Fed. 2d 637.

14. In May, 1960, Plastic acquired from Butterfield a license under the Butterfield Patent, paying or agreeing to pay a total consideration therefor, on a monthly basis, of \$50,000.00. This license was acquired from Butterfield when Plastic was maintaining in court, as heretofore set forth, a position in which it not only was attacking the Tuohy Patent but was also challenging coercive and deceptive tactics of Solex whom it had not then acquired.

Pre-Trial Order, Admitted Fact 9, R. p. 47;
Butterfield-Plastic license agreement, Part of
Ex. 117.

15. Prior to the acquisition of Solex by Plastic, Solex had brought an action against Butterfield and Butterfield & Son in the District Court of the United States for the District of Oregon, Civil 60-107. After this action had been pending for some time and after the acquisition of Solex by Plastic, Plastic became a co-plaintiff against Butterfield and Butterfield & Son and continued the litigation against him and the corporation, Butterfield & Son. While this action was pending the plaintiff and Butterfield & Son applied for and after hearing obtained, on September 10, 1961, a pre-

liminary injunction against Plastic against bringing or continuing the prosecution of actions or suits against licensees of Butterfield for infringement of the Tuohy Patent by reason of manufacture of devices under the Butterfield Patent, including actions then pending in other Federal Courts against Titmus Optical Company, Inc., a licensee of Butterfield, and against Rogers Brothers, another licensee of Butterfield. The temporary injunction also enjoined Plastic from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of such alleged infringement, and from notifying the trade that the Butterfield Patent is inoperative or that the trade could manufacture and sell corneal contact lenses under the teachings of the Butterfield Patent without infringing it. This injunction order of this Court was made pursuant to findings and an opinion setting forth in substance that Plastic, since its acquisition of Solex, had continued many of the improper acts of Solex in its licensing program which Plastic had successfully challenged in the Federal Court in Illinois. *Solex Laboratories, Inc. v. George H. Butterfield, et al*, 202 F. Supp. 461 (D. Or. 1961).

Order granting preliminary injunction and memorandum opinion of the Court, Ex. 129.

16. There is no evidence that Plastic, since the time of said injunction order or since the time of the settlement of the former action between the parties, Civil 60-107, ever took any steps to repudiate or disassociate itself from the wrongful conduct of Solex enjoined in

the Federal Court in Illinois as heretofore set forth or from its own conduct of a somewhat similar type enjoined by this Court in the former action, and there is likewise no evidence of any such effort by Plastic to disassociate itself from such conduct or to disavow such conduct since the time of the settlement of the former action in April, 1962.

17. At the time Plastic acquired Solex and control of the Tuohy Patent in November, 1960, Solex had outstanding approximately 56 license agreements all or substantially all of which were in the form of Form 2, Ex. 46. Substantially all of such agreements had been obtained by Solex subsequent to August 6, 1958, the date of the decision of Judge Tolin in *Solex v. Graham*, supra. This is the opinion which Solex improperly used in circularizing the trade concerning the effect of the opinion and the scope of the Tuohy Patent as determined in the Chicago litigation between Solex and Plastic, above referred to. These Solex license agreements called for a royalty of \$3.50 per pair of lenses and the royalty paid by the licensee was measured only by the quantity of Tuohy lenses handled by each licensee during each accounting period. Eventually Plastic, by dealings with the Solex licensees and by dealings with the trade, had acquired a total number of approximately 110 licensees at the time of the settlement of the former action between the parties in April, 1962. At the time of the settlement of the former action in April, 1962, the license agreements between Solex and its licensees and the new licenses acquired by Plastic had been converted into a different form of license agreement ex-

emplified by Form Number 8 in Ex. 46. The new agreements reduced the royalty rate to fifty cents per lens.

Group of license forms used by Solex and Plastic, with attached explanatory yellow sheet, Ex. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; Agreement between Plastic and Tuohy and Zabner for purchase of Solex stock, Ex. 136; Pre-Trial Order, Admitted Fact No. 7, R. p. 46.

18. At the time of the settlement of the former action between the parties Butterfield had 12 licensees, including Plastic, the Butterfield corporation, Titmus Optical Company, Rogers Brothers, Sloan Optical Company, Inc. (name changed to Southern Contact Lens Laboratories, Inc.), and Utah Optical Supply Co.

List of Butterfield licensees showing dates when license agreement first obtained, Ex. 73; File of outstanding Butterfield license agreements, Ex. 117.

19. At the time of the settlement of the former action between the parties in this Court, the current pleadings before the Court of the respective parties were the amended complaint of Solex and Plastic (Ex. KK-1), the amended and supplemental answer and counterclaim of Defendants Butterfield and Butterfield & Son (Ex. KK), and the answer to counterclaim of Plastic and Solex (Ex. KK-2). The case was never tried on the merits and there was never any adjudication in contested proceedings between the parties of the issues

raised in the pleadings except to the extent that this Court held a hearing on the merits of Butterfield's motion for temporary injunction and issued its temporary injunction after opinion and findings in October, 1961, this temporary injunction and the opinion and findings having been previously described.

20. At the time of the settlement of the former action the current pleadings before the Court did not tender any issue as to the validity, either under the anti-trust laws or otherwise, of the royalty base then in use by Plastic under its license agreements of the type exemplified in Form 8, Ex. 46, being the form now in use by Plastic. The pleadings likewise tendered no issue as to the validity or existence of any conduct by Plastic in interpreting or seeking to apply in the trade the scope of said royalty base as it may have applied to unpatented, unfinished and uncut pieces of plastic material or to non-Tuohy-type lenses. The pleadings did not tender any issue as to the proper interpretation of the form of license agreement then in use by Plastic, with respect to said royalty base, as to whether it did or did not apply to uncut, unfinished or non-Tuohy-type pieces of plastic material.

21. The former litigation between the parties was settled by a duly entered consent judgment (Ex. 1), a filed stipulation of facts and matters (Ex. 2), a filed stipulation for dismissal of counterclaim (Ex. A), and an unfiled settlement agreement (Ex. 3). The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well

as the unfiled settlement agreement, were dated April 24, 1962.

Pre-Trial Order, Admitted Fact 8, R. pp. 46-47.

22. The entered consent judgment, in pertinent part, provides:

"IT IS HEREBY ADJUDGED AND DECREED as follows:

1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.

2. Plaintiff-counterdefendant Solex Laboratories, Inc. was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.

3. On or about May 12, 1961, plaintiff-counterdefendant The Plastic Contact Lens Company became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.

4. Defendant-counterclaimant George H. Butterfield, Sr. is a resident of Portland, Multnomah County, State of Oregon.

5. Defendant-counterclaimant Geo. H. Butterfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.

6. This Court has jurisdiction over the parties and the subject matter of this action.

7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.

8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.

9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.

10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.

11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.

12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.

13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgment therefor.

14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.

15. The injunction pendente lite which has been issued out of and under the seal of this Court

against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant-counterclaimant George H. Butterfield, Sr. is hereby exonerated and released."

Ex. 1.

23. The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:

(a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

Par. 2.

(b) That Butterfield, the individual, has not infringed the Tuohy Patent.

(c) That by license agreement between Plastic and Butterfield dated May 6, 1960 (Ex. 71), Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent, other than for the infringement of said Patent by Solex prior to May 12, 1961.

C These added matters appearing in the stipula-

tion taken together with the consent judgment are of significance in considering the contentions of the parties with respect to the scope of the Butterfield Patent as related to the Tuohy patent. The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

24. The unfilled settlement agreement (Ex. 3), except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:

(a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

Par. 1.

(b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:

(i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;

(ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;

(iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical.

(iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and

(v) Agreed to pay to Butterfield the sum of \$6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringement damages suffered by Butterfield from infringement by Solex.)

Par. 2.

(c) Plastic further agreed, as part of the settlement above set forth for Butterfield's infringement claims against Solex, to pay the sum of \$60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This \$60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

Par. 3.

(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

Par. 4.

(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

Par. 6.

(f) Butterfield and Butterfield & Son shall file

a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

Par. 7.

(g) Each party thereby released "any and all claims or causes of action which he or it has or may have against each of the other parties arising out of the action or the subject matter of the action."

Par. 8.

25. All sums required to be paid by Plastic under the terms of the settlement agreement of April 24, 1962, have been paid.

26. Issues No. 1 and 2 herein as set forth in the pre-trial order require a determination as to what, if any, issues involved in the present action between the parties were finally terminated by the settlement of the former action in the manner heretofore set forth. None of the issues presented in the pre-trial order, either under the statement of Plaintiff's contentions, Defendant's contentions with respect to Plaintiff's claims, or under the statement of the issues to be tried could have been affected by the settlement of the former action so as to bar Butterfield herein.

Defendant's contentions with respect to Plaintiff's claims, Pre-Trial Order, Contention No. 5, R. p. 63.

27. None of the Plaintiff's contentions herein or the issues to be tried involving Plaintiff's contentions, as set forth in the pre-trial order, were terminated or barred by the settlement and final termination of the

previous litigation between the parties, including specifically, but not limited to, any contentions of the Plaintiff or issues formulated thereon dealing with the subject matter of the royalty base sought to be enforced by Plastic against its licensees as including lenses consisting of unpatented, uncut or unfinished lenses or finished lenses not made in accordance with the teachings of the Tuohy Patent.

Among the more detailed evidence, considerations and reasons leading to the Court's above ultimate finding are the following:

(a) Plastic's conduct with respect to the application and enforcement of its royalty base pertained only to acts and conduct of Plastic occurring subsequent to the date of the settlement. There was no evidence whatsoever that Plastic had interpreted or sought to enforce its current forms of license agreement against its licensees so as to cover any devices or lenses other than Tuohy lenses prior to the time of the settlement.

(b) Plastic admitted at the trial of the case in chief that it now construes, enforces and seeks to enforce its current license agreements to require payment by its licensees on unfinished and uncut lenses, both of which are unpatented, and on finished Butterfield and other type of non-Tuohy lenses, and that in its dealings with the trade it makes these requirements both by demand upon its licensees and by litigation filed against them covering royalties on such a broad non-Tuohy base.

Plastic's answers to Plaintiff's second interrogatories 5 and 6, Ex. 6; Wesley Deposition, pp. 84-6, 118, 132-3, 115 (Ex. 12); Admissions of Plastic's counsel during trial, Trial Record, p. 113; The following illustrative items of correspondence between Plastic and its licensees, including Exs. 20, a, b, c, 21 a, b; Plastic Royalty Report Form, Ex. 76.

(c) However, there is no evidence that any of the foregoing concerned enforcement activities of Plastic in the application of its royalty base prior to the time of the settlement of the former action.

(d) The supplemental answer and counterclaim of Butterfield in the former action did not challenge the validity of the Plastic royalty base as recited in its license agreements or Plastic's enforcement of that royalty base in the broad sense now under consideration in any respect but was limited to charges of extended and unjustified claims by Plastic as to the pretended broad scope of the Tuohy Patent itself as covering all finished corneal contact lenses made under the teachings of other patents, such as the Butterfield Patent.

See supplemental answer and counterclaim of Butterfield in former action, Ex. KK.

(e) The proper construction of the current Plastic license agreement with respect to the royalty base therein provided was not an issue in the former case and there is no evidence from Defendant or otherwise that it was in any manner before the Court either under the pleadings or the settlement agreement or the consent judgment or stipulation.

C (f) The agreement between Plastic and its licensees is somewhat ambiguous, with respect to its royalty base, but, when properly construed, does not call for the payment of royalties on devices other than Tuohy-type lenses. The word "devices" as used in paragraphs 1 and 2 of the current license agreement (Form 8, Ex. 46) is limited to Tuohy-type lenses, which the license particularly covers as more fully set forth in paragraph 1 of the license agreement. The word "devices" as it appears in the royalty base provision in paragraph 2 is not enlarged to cover unpatented, unfinished or uncut pieces of lens material or non-Tuohy patent items despite some rather broad language in paragraph 2. Because of the Court's later factual and legal conclusions that a broader interpretation and application of the royalty base are illegal as violations of the anti-trust laws, restraints on trade and unfair competition, the Court adopts a construction of this instrument which renders it legal and valid, rather than illegal (a construction always to be preferred), and further adopts another cardinal rule of contract construction by construing the agreement most strongly against the party who caused the document to be prepared and placed in circulation.

C (g) The current form of Plastic license agreement, not having been enforced by Plastic according to any evidence before this Court is (sic) an illegal or improper manner by covering non-Tuohy-type devices in its royalty base, prior to the settlement, there is no justification for any finding that the issue as to a royalty base covering non-Tuohy-type or unpatented items

either was or might have been involved in the former settlement.

C (h) Assuming for purposes of argument only that there was any evidence in the current case that Plastic, prior to the settlement, was seeking to enforce a broader royalty base, covering unpatented or non-Tuohy-type devices (this being evidence which Plastic was required to produce in this case, in order to support its contention of *res adjudicata* or settlement), such evidence would not change the result in view of the clearly established circumstances in the present record that the conduct of Plastic in this respect was repeated and continuing in nature so that the settlement agreement and any provisions of the consent judgment applied only to damages and wrongs sustained by Butterfield from such supposed activity or from such broad royalty base provisions as may have occurred prior to the entry of the consent judgment and prior to the exchange of mutual releases under the settlement agreement.

C (i) In the case of continuing or repeated wrongs or torts of the type involved under the Plastic license agreement or Plastic's acts thereunder neither the settlement agreement nor the consent judgment affected anything except Butterfield's claims because of wrongs in this area committed prior to the time of the settlement. Both the stipulation of facts and the consent judgment bearing the approval of the parties expressly set forth that the parties had waived any rights for injunctive relief and that no injunction of any kind was sought or obtained. No provision of the settlement

agreement or the consent judgment or filed stipulation attempted to validate, for the future, any of the acts or rights of the parties as they might have existed prior to the settlement except for the clearly stipulated provisions that both the Tuohy Patent and the Butterfield Patent should be recognized as valid, for purposes of the future relations of the parties, and that nothing in the settlement should prevent one party from soliciting the other's licensees or suing the other's licensees for infringement. Except for these latter provisions there is nothing in any of the settlement documents or the consent judgment which operated prospectively on any of the conduct of the parties or their status or relationship as it might have theretofore existed. The Court therefore finds that there was no intent in either the consent judgment or any of the settlement documents to release, bar or approve, for future purposes, after the date of the settlement, either Plastic's conduct in asserting and enforcing a broad royalty base or a broad royalty base if properly provided for in the Plastic license agreements.

C (j) The foregoing reasoning and facts apply equally even though the current Plastic license agreement, properly interpreted, provides for royalties on unpatented and non-Tuohy lenses. It was not intended by the parties to the settlement of the former action or by the consent judgment to validate prospectively the broad contractual royalty base contended for by Plastic since the settlement of the former action.

C (k) The broad royalty base contended for by Plastic under its current license agreement, in any

event, whether this rests on a misinterpretation or misapplication of the agreement by Plastic or by the correct application of contract terms, as applied to the facts in this case, is violative of the anti-trust laws, is an invalid restraint on trade and constitutes unfair competition. The detailed reasons for these ultimate findings will be later set forth and are, in the interests of brevity, here incorporated by reference. Under the settlement agreement of the parties and the consent judgment, viewing it as a contract or series of contracts, the parties were legally incapable of giving their approval to the executory portion of an illegal contract or illegal acts to be committed by Plastic thereafter, and the consent judgment, properly construed, contains no adjudication whatsoever, including the order for dismissal of Butterfield's counterclaim in the former action, placing judicial approval on such an illegal contract or conduct.

(1) The wrongs of which Butterfield presently complains in his contentions are not the same as Plastic's conduct in the form of its enforced or contractually provided broad royalty base because this base has been combined with other wrongs all occurring since the time of the former settlement, thus giving rise to an entirely new tort or series of torts, so that the presently contended for wrongs are in no manner the same as the tort of the broad royalty base which Plastic contends was barred by the former settlement. As previously set forth, Plastic's application of its broad royalty base has not only been continuous subsequent to the time of the settlement, but also it has been combined with the

claimed improper use of offers of indemnity against infringement of the Butterfield Patent, made by Plastic to its licensees, a course of instituted and threatened coercive litigation and misrepresentations to the trade, all designed, in combination with the royalty base, do (sic) damage Butterfield in the furtherance of his licensing program under his own competing patent. The specific situation involving the broad royalty base asserted by Plastic cannot, therefore, be considered out of context with the other claimed illegal activities now contended for by Butterfield. If the combination of all of these elements gives rise to a new tort it is obviously not the same as that which Plastic contends might have been before the Court at the time of the last settlement. Therefore, consideration of this element as a basis for a possible new tort or series of torts committed against Butterfield by Plastic is not barred or foreclosed either by the settlement agreement or the consent judgment.

28. Corneal contact lens manufacturers in the United States, including Plastic licensees, in addition to manufacturing and selling complete and finished corneal contact lenses, also partially fabricate and sell to lens fitters and dispensers unpatented pieces of lens material known in the trade as "unfinished" and "uncut" devices which the purchasing fitters and dispensers use in, themselves, fabricating complete and finished corneal contact lenses. These fitters and dispensers fabricate said devices into finished corneal contact lenses having any desired diameter and curvature relationship to the patient's cornea, whether it be in accordance with the Butterfield Patent, the Tuohy Patent, or any other pat-

ent, and such unpatented pieces of lens material constitute a substantial part of the commerce between the several states of the United States.

Wesley Deposition, Ex. 12, pp. 10-11; Butterfield, Tr. 278-80.

C 29. As previously set forth in Finding 27 (b), it was clearly established in the evidence that after the settlement of the former action between the parties Plastic has consistently, in its dealings with its own licensees, who are prospective Butterfield licensees, sought to require them and did in fact require them to pay royalties under their license agreement on non-Tuohy-type lenses and on unpatented, unfinished and uncut lens devices. Plastic threatens to continue such practice.

C 30. For the purpose of exacting unjustified royalties on unfinished and uncut lenses and on non-Tuohy lenses, Plastic has filed and maintained and is threatening to file and maintain court actions against its licensees. Included in such court actions which are currently pending and being maintained are the following against its licensees who are also licensees of Butterfield:

The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation, et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60; Wesley-Jessen, Inc., a corporation, and The Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants, vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State

of California in and for the City and County of San Francisco, Ex. 137-B.

31. At the time of the trial of the principal case Plastic had acquired a total of approximately 160 to 165 licensees, and of these, at the time of trial, approximately 135 represented apparently valid, active, outstanding license agreements, not represented by cancellations or terminations because the licensee had gone out of business or because of similar reasons. Practically all of the present Plastic license agreements are the same or substantially the same as Form 8 of Ex. 46, previously referred to, containing a royalty base which Plastic claims covers all devices, whether or not Tuohy devices.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Pre-Trial Order, Admitted Fact 7, R. p. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; List of Plastic cancellations, Ex. 123.

32. Plastic has consistently been collecting payments of royalties on this basis from its licensees in substantial amounts, as evidenced by Ex. 121, containing a breakdown of the Plastic royalty revenues by periods. This Exhibit shows that Plastic, subsequent to April, 1962, has collected at least \$459,314.00 in royalties from its licensees calculated on this basis. There is no direct evidence in the record from which a determination can be made as to the approximate amount of these royalties which were calculated on pure Tuohy-type lenses and the amounts which were derived from

royalties on unpatented, unfinished, uncut or non-Tuohy-type lenses.

Ex. 7.

33. There are more than 300 manufacturers of plastic contact lenses in the United States.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Partial list of names of contact lens manufacturers in the United States, Ex. 132.

34. At the time of trial Butterfield held approximately 35 licenses from manufacturers and of these about 20 held licenses under both patents.

Pre-Trial Order, Admitted Fact 6, R. p. 46.

35. Of the total number of Butterfield licensees, 12 were in existence at the time of the settlement of the former action, he had acquired 12 additional licensees up to the time Plastic sent out to the trade its form letter offering special indemnity against claims for infringement of the Butterfield Patent (Letter, Ex. 54; form of indemnity agreement with list of signers, Ex. 75), and 10 licensees since the time of this offer of indemnity on December 10, 1962. The last licensee obtained by Butterfield, despite solicitation efforts by him, was under date of August 15, 1963, and the last group of licensees acquired by him were small in volume and did not substantially affect his royalty revenues.

Butterfield, Tr. 165-6; List of Butterfield licensees showing dates he first obtained license agreement, Ex. 73; List of Butterfield licensees who have ceased paying royalties, Ex.

74; Graph and schedule showing receipts by Butterfield from license agreement, Ex. 118.

36. The Plastic Contact Lens Company has its principal office and manufacturing establishment in Chicago, Illinois, has 24 branches throughout the United States, and competes with its own licensees in the field of manufacturing and sale of contact lenses as well as with other unlicensed manufacturers in this same field of activity.

Deposition of Wesley, Ex. 12, pp. 12-13, 16-18.

37. The manufacture and sale of contact lenses is highly competitive and the evidence shows that the constant trend since April, 1962, in the prices charged by manufacturers is downward so that the prevailing prices are approximately \$3.00 per uncut lens and \$3.75 per finished lens.

Butterfield, Tr. 276, 281-2; Dippery, Tr. 207; Conlogue, Tr. 310-313; Exs. 80-A, 80-B; Price lists covering manufacturers' prices on lenses. Ex. 124.

38. The prevailing license rate per lens under the Plastic licensing system is 50 cents per lens or per unpatented piece of lens material, and the prevailing Butterfield rate is slightly less than this amount.

See current Plastic license agreements, Form 8, Ex. 46; See forms of Butterfield license agreements, Ex. 117, some of which contain unitary royalty provisions at 50¢ per lens, and "paid-up" royalty at a flat monthly rate calculated as described by Butterfield (Tr. 284-6) as $37\frac{1}{2}$ ¢ per lens.

C. 39. The ordinary manufacturer with the low sales price of his lenses, whether Tuohy or Butterfield or some other type, cannot afford to pay double royalties amounting to \$1.00 a lens or slightly less than that figure, without serious economic stress. This stress becomes much greater when royalties in similar amounts are exacted by Plastic from its licensees on unpatented, unfinished and uncut lenses which they may handle and which will not be made into Tuohy-type finished lenses but which will be completed in accordance with the teachings of the Butterfield Patent.

40. The commerce in the manufacture and sale of contact lenses and the competing licensing systems of the parties to this case is interstate in character and interstate commerce is directly and substantially affected by it.

Butterfield, Tr. 365.

C. 41. That licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreement, objected to and could not afford to pay double royalties on either finished or unpatented unfinished lenses, including lenses of the Butterfield type, was clearly established by numerous items of correspondence in the record and by the testimony of witnesses. What is even more significant is that this evidence, all of which was offered by Butterfield, was in no manner controverted or challenged by any evidence offered by Plastic.

Butterfield, Tr. 185, 188, 190, 269, 351; Conlogue, Tr. 310-312; Dippery, Tr. 207; See the following correspondence between Plastic and

its licensees and Butterfield and his licensees or potential licensees: Corresp.—Acon Laboratories, Exs. 81A-B, 23 a, b; Conlogue (Procon), 80A-B; Tanco, Ex. 88-B, Ex. 30; Bell Optical, Denver, Ex. 91B, Ex. 29; Spokane Optical, Ex. 17A, B, C; Dr. Robert Shumate, Ex. 18A, B.

C 42. At the time of the settlement and termination of the prior litigation, and by correspondence immediately thereafter with Plastic's attorneys, Butterfield and his attorneys attempted to have Plastic join with Butterfield in publishing to the trade a joint statement describing the terms and conditions of the said settlement and termination, which attempts were rejected by Plastic and its attorneys. In this correspondence, the attorneys for Butterfield and Plastic agreed that the Consent Judgment and the Stipulation of Facts and Matters on file with the Court should be made known to the trade, but that the terms and conditions of the Settlement Agreement, which was not filed, should not be made known to the trade. In the conduct of his licensing program since said settlement, Butterfield and his attorneys have conformed to said agreement and did not make the Settlement Agreement known to the trade until after Plastic had done so in the Fall of 1962.

Deposition of Wesley, pp. 50-54, Ex. 12; Mason, Tr. 503-4; Correspondence between Mason and Van Sciver from May 16 to May 25, 1962, inclusive, Ex. 47-52, inclusive.

C 43. During the period from April, 1962, up until December 10, 1962, when Plastic made its widespread of-

fer of indemnity to its licensees against claims for infringement under the Butterfield Patent, Butterfield was actively out in the field soliciting license agreements from both Plastic licensees and others. During this period he made significant, though not outstanding progress, and, as stated previously, obtained approximately 12 new licensees. During this time he repeatedly met with statements and communications from manufacturers interviewed that they were making a Butterfield-type lens with the qualities and characteristics previously described in these Findings but that they would not or could not pay double royalties on Butterfield lenses. In many instances Butterfield failed to obtain license agreements after meeting a response of this kind. In most instances Butterfield or others on his behalf either viewed the lenses in question or obtained samples to satisfy themselves that a prospective licensee was actually making or handling Butterfield-type lenses.

Butterfield, Tr. 171, 173, 183, 185, 186, 188, 190, 192, 264, 269, 344, 345, 351; Dippery, Tr. 205, 208, 234, 222, 235, 237; Conlogue, Tr. 310, 315, 320; See also Exhibits: Dippery Report of Oct. 11, 1963, Ex. 84A; Vision Clear Correspondence, Ex. 41-41E; Northwest Northern Dealings, Ex. 83-83R; Rich-Tint Dealings, Ex. 87A-C.

C 44. During this same period, substantial numbers of prospective licensees of Butterfield were making the Butterfield-type of lens and there was a substantial demand in the manufacturing and fitting trade for a Butterfield-type lens. Several manufacturers were called by Butterfield who testified to the substantial use of But-

terfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent. No contrary witnesses or evidence were offered by Plastic.

Conlogue, Tr. 315, 320; Dippery, Tr. 208; Satterlee, Tr. 462-3; Butterfield, Tr. 171, 173, 185, 264-6, 351, 391-2.

C 45. It is clear from the same portions of the record that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and who were paying on the basis of Plastic's claimed broad royalty base, admitted that they were making a Butterfield-type lens but declined to deal with Butterfield, nevertheless.

C 46. On October 25, 1962, Plastic sent out to all of its licensees a form letter (Ex. 53) purporting to explain the settlement it had made with Butterfield in the preceding April, after a lapse of some six months during which it had been attempting to keep its licensees in line on its broad royalty base. After referring to the settlement, and without describing it, this letter in substance stated:

(a) That Plastic had "recently settled" its patent litigation with Butterfield. In fact this settlement had been made more than six months before in April of 1962.

(b) A settlement was reached with Butterfield to avoid further expenses of litigation and exposure to the risks of litigation.

(c) Plastic was fully released by the settlement "from all claims alleging infringement of the Butterfield Patent."

No statement was made that Butterfield or Butterfield & Son were similarly released, no statement was made that Solex had been found guilty of infringing the Butterfield Patent and that Plastic had agreed to pay Butterfield for this infringement. Furthermore, Plastic failed to state that it already held a Butterfield license which protected it from infringement claims, so that a release was unnecessary.

(d) That as consideration for Plastic's release by Butterfield, Plastic had given the right to Butterfield to grant to Butterfield & Son and to four other Butterfield licensees licenses under the Tuohy Patent.

(e) That these Butterfield licensees, Titmus, Rogers, Southern Contact Lens and Utah Optical, were thus included in the settlement arrangement "because the Butterfield interests had indemnified them against liability arising from their infringement of the Tuohy Patent."

Ex. 117; Butterfield, Tr. 433-5.

(f) There is a failure to point out that Solex was determined in the settlement to have infringed the Butterfield Patent. No explanation is made in the letter that both parties recognized the validity of the other's patent, that Plastic already held a Butterfield license agreement, and that each party recognized the right of the other to solicit one another's licensees and bring infringement actions against them. To a trade, then under active solicitation by Butterfield, the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts.

(g) That the settlement with Butterfield did not constitute the granting of a license under the Tuohy Patent "upon terms and conditions more favorable" than those provided in the Plastic standard license agreement.

Plastic license agreement, Form 8, Ex. 46, p. 6.

The foregoing form letter, by its omission to state many material facts concerning the settlement, sent out as it was some six months after the settlement, was obviously deceptive and designed to cause Butterfield difficulties in the promotion of his licensing program which, by contract, specifically included permission to solicit Plastic licensees.

C 47. In the period prior to the form letter of October 25, 1962, the correspondence files of Plastic with several of its licensees and their counsel deal with the subject of whether or not the Butterfield settlement, by extending Tuohy licenses to five Butterfield licensees, invoked the operation of Plastic's most favored nation clause.

See the following items of correspondence: Mueller-Welt, Ex. 22a, b, c; Univis, Ex. 25a-e, 69; Precision Cosmet, Ex. 26a-d; Kontur Contact, Ex. 27-27c; Contact Lens Guild, Ex. 32; Conforma (Goldberg), Ex. 33-4.

(a) While Plastic may have had some reason for sending out the letter of October 25, 1962, because of possible difficulties over the most favored nation clause, it had no right to misrepresent to the trade, mainly by concealment and non-disclosure of relevant terms, sig-

nificant and compelling circumstances of the settlement. It assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield.

(b) Some correspondence between Plastic and at least one of its licensees in the period prior to October 25, 1962, shows that Plastic did disclose certain of the terms of the unfiled settlement agreement, and the letter of October 25, 1962, is a partial disclosure, at least, of the terms of this unfiled settlement document.

Ex. 69—letter of August 3, 1962, Van Sciver to Biebel.

(c) Butterfield did not make public the terms of the unfiled settlement agreement until after said terms were made public by Plastic, and both Mason and Butterfield recognized that, during the settlement discussions in April, 1962, there was an understanding that the unfiled provisions of the settlement agreement, should not be made public.

Ex. 47, 49 (Correspondence — Mason and Van Sciver); Butterfield, Tr. 445; Mason, Tr. 504.

(d) That the letter of October 25, 1962, purported to be a full and fair explanation of the circumstances and facts of the Butterfield settlement is clear. In the opening paragraph of Plastic's circular letter of December 10, 1962 (Ex. 54), to its own licensees, offering them indemnity against claims for infringement of the Butterfield Patent, it stated that, "under date of October 25, 1962," it wrote to its licensees "advising them of the circumstances under which the Plastic Contact Lens

Company recently settled its patent litigation with George H. Butterfield, Sr., and his company.”

C 48. On December 10, 1962, Plastic sent out to its licensees the previously mentioned circular letter (Ex. 54) offering indemnity against infringement of the Butterfield Patent. The form of indemnity agreement (Ex. 75) was enclosed. These letters and indemnity forms were sent to all Plastic licensees and, as of the date of trial, approximately 40 of such licensees had accepted the offer and executed the indemnity form. A few of those who signed included Butterfield licensees, and the offer of indemnity was obviously made to any Butterfield licensee who also held a Plastic license.

Pre-Trial Order, Admitted Fact 10, R. p. 47;
Letter offering indemnity, Ex. 54; Indemnity agreement with list of signers, Ex. 75; Plastic's answers to Interrogatories Nos. 1, 2, 3, 4, 6 and 10 to Plaintiff's Second Interrogatories, Ex. 6.

C 49. Since the offer of indemnity by Plastic, Butterfield has obtained only 10 additional licensees, all small in number, the last being obtained August 15, 1963. During this time Butterfield continued his efforts.

Butterfield, Tr. 165-6; List of Butterfield license agreements and dates, Ex. 73; Dippery, Tr. 207, 209-10; Ex. 84A; Statement of Butterfield royalty revenues, showing no substantial increase since this date, Ex. 118.

C 50. At or about this same time Plastic entered into a program of litigation against certain of its non-paying licensees who had either had dealings with Butterfield

over a license agreement or had obtained a Butterfield license agreement, designed to coerce and restrain not only the sued Plastic licensees but other Plastic licensees from dealing with Butterfield, under the threat of litigation which would involve not only the amount of unpaid royalties but conspiracy damages for alleged activities in dealing with Butterfield to damage and injure the Plastic licensing system. These actions included an action against Security Contact Lens of Los Angeles in the California state court (Complaint, Ex. 58), an action against Midwest Scientific Co. of Chicago, in the Illinois state court (see conspiracy charges in supplemental complaint and second supplemental complaint (Ex. 61 and 62), an action against Mueller-Welt (Ex. 100), and an action against Con-Cise Lens Co. of San Francisco, in the California state court at San Francisco against Marco and Hunt, both being licensees of Plastic and of Butterfield, also naming Mason, Butterfield and Butterfield & Son as defendants (Ex. 60). In all but one of these actions a count or allegations appear charging that the defaulting Plastic licensee has conspired with Butterfield and his attorneys to damage the Plastic licensing system, and recovery is asked not only for defaulted royalty payments but for substantial sums as conspiracy damages. In the Mueller-Welt case, conspiracy is charged, but the conspirators are not named.

Ex. 137b.

C 51. The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described,

was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield.

(a) The litigation against Security Contact Lens Company in Los Angeles was finally terminated by settlement with a dismissal of the action at law and counterclaim by agreement of the parties with prejudice and without costs (Ex. 119). Despite the allegations of defendant's counterclaim, in the instant case, concerning alleged conspiracy and intermeddling by Butterfield and his attorneys, there was no evidence whatsoever of any connection between Butterfield or any of his attorneys with Plastic's licensee, Security Contact Lens, and the only evidence on this subject was from Mason and Butterfield who completely negated any dealings upon which such charges might have been based.

Mason, Tr. 490; Butterfield, Tr. 189-90.

(b) The Mueller-Welt conspiracy charges were groundless.

Mason, Tr. 497-8, 556; Butterfield, Tr. 190-1.

(c) As to the litigation against Midwest Scientific Company in Chicago, the only evidence is that of Butterfield and Mason, and both of these witnesses established that no improper relations of the type claimed by Plastic took place. This action was against a non-licensee of Plastic when Plastic's supplemental complaint charging conspiracy was filed and involved an issue as to the validity of the Tuohy Patent. Butterfield had no dealings with Midwest Scientific Company except to obtain a license agreement, while the litigation was pending. Mason was retained by Midwest as its

patent attorney in the Midwest case and first appeared in the case in July, 1962.

Butterfield, Tr. 176-7, 354, 363; Mason, Tr. 486; Notice of Mason's formal appearance in case (Ex. 139).

(i) Mason's relationship was solely with Midwest, his activities as an attorney at law were directed toward issues of validity and infringement of the Tuohy Patent, and his bills were rendered to and paid by Midwest. Butterfield had no part in their payment and played no part in the employment of Mason.

Mason, Tr. 488-9; Butterfield, Tr. 176-7, 354-6.

(ii) Mr. Patrick Ford, then an office employee in the Portland office representing Butterfield, Pendergrass, Spackman, Bullivant & Wright, played a limited part in this case by arranging depositions for and at the request of Mason, in the northwest, of individuals possibly having knowledge as to some of the prior art in the contact lens field, which might have a bearing on the validity and scope of the Tuohy Patent. Neither this law office nor Mr. Ford played any other part in this litigation, Butterfield had no connection with the arrangement and Mr. Ford's firm's bill was paid directly by Mason who, in turn, was paid by Midwest.

Mason, Tr. 488-9; Butterfield, Tr. 363-4; File of correspondence involving attorney Ford's activities, Ex. 97 through 97a to 97-l, inclusive; Paid statement of Pendergrass, Spackman, Bullivant & Wright, August 31, 1962, *Solex v. Midwest*, Ex. 134.

(iii) Plastic introduced no evidence whatsoever of any improper connection or dealings concerning this litigation. This litigation terminated in a settlement made after Mason's withdrawal.

Mason, Tr. 488; Ex. 120 for settlement agreement.

(d) The evidence concerning the litigation between Con-Cise and Plastic is equally lacking in any plausible basis for any charges of improper cooperation or conspiracy between Butterfield and his attorneys on the one hand and Con-Cise, a Plastic licensee, on the other.

(i) Mason was retained in this case at the request of Mr. Tired, an executive of Con-Cise, on or shortly prior to September 27, 1962.

Formal notice of association of Mason as attorney in case, September 27, 1962, Ex. 138; Tired, Tr. 426-7; Mason, Tr. 491-2.

(ii) In the pleadings in that case, Mason, as associate counsel, filed pleadings challenging the validity of the broad Plastic royalty base.

Pleadings in *Plastic v. Con-Cise*, Ex. 137b.

(iii) Tired's company, Con-Cise, had a royalty agreement with Plastic which went into default before the settlement agreement of April, 1962, and Tired's company entered into a license agreement with Butterfield subsequent to the settlement. Mason, Butterfield and Tired all testified fully concerning the circumstances of this relationship and there is no evidence whatsoever of any improper dealings by Butterfield or

his attorneys concerning the defaults by Con-Cise in their Plastic license agreement or of any activity designed to damage the Plastic licensing system.

Mason, Tr. 493; Butterfield, Tr. 363; Tired, Tr. 425, 427; Tired Deposition, Ex. 146 (in *Plastic v. Hunt, et al*), p. 9, line 20, to p. 11, line 13; See also deposition of Marlin D. Parker, Ex. 103, formerly an executive of Con-Cise during the time of its dealings with Plastic and Butterfield, showing clearly the absence of any foundation for charges of conspiracy or improper dealing; p. 23, line 18, to p. 24, line 21, p. 43, lines 11 to 19; p. 44, line 10, to p. 45, line 4.

(iv) There is correspondence indicating that someone in the trade felt that there should be trade contributions toward litigation costs in the Con-Cise litigation, but there is no evidence whatsoever of any trade contribution to Mason's fees, and Mason testified that he did not authorize such efforts (but Parker's deposition states that Mason said that "it would be okay to write such a letter"), and that he had received only \$600.00 in fees from Con-Cise, all paid by Con-Cise itself.

See part of Ex. 103, letter, Parker to Hunt, Tr. 519; See part of Ex. 59, letters, Tabin to Breger, January 3, 1963, Breger to Goldberg, January 9, 1963; Mason, Tr. 493, 517-37, 555-6; Tired Deposition, Ex. 146, p. 11, lines 4-13; p. 16, line 19, to p. 18, line 22; Parker Deposition, Ex. 103, p. 35, line 7, to p. 41, line 21; p. 45, line 5, to p. 46, line 2; p. 48, lines 8-10.

(e) The Plastic licensees involved in the San Francisco litigation by Plastic in which Butterfield, Mason, and Butterfield & Son were also named as defendants were Hunt and Marco. Both of these were also licensees of Butterfield.

Pleadings in *Plastic v. Hunt*, Ex. 60; File of Butterfield licensees, Ex. 73; Butterfield, Tr. 356; Boyle, an executive of Marco, called as witness, Tr. 244; Boyle deposition, p. 15, lines 16-25; p. 40, lines 6-21; and Ex. 101a to 101w, inclusive, the exhibits being a part of the Boyle deposition; Hunt deposition, p. 12, lines 1-9; p. 17, lines 16-19, Ex. 149.

(i) Butterfield had no dealings with Hunt whatsoever except to enter into a license agreement with him under the Butterfield Patent and subsequently had to sue Hunt under the license agreement for unpaid royalties. This action by Butterfield against Hunt was filed some time ago and is still pending.

Butterfield, Tr. 357; Pleadings in *Butterfield v. Hunt*, Ex. 137a; Hunt Deposition, Ex. 149, p. 16, lines 12-15; p. 44, line 15, to p. 45, line 4; p. 61, lines 8-18.

(ii) As to the defendant Marco in this case, both Boyle and Butterfield testified to no dealings whatsoever except for the taking of an oral license from Butterfield by Marco.

Butterfield, Tr. 359-61; Boyle, Tr. 244-6, 249-50; Boyle Deposition, Ex. 101, p. 22, lines 23-26; p. 44, lines 18-22; p. 46, lines 2-23; p. 47, lines 10-13; p. 61, line 14, to p. 62, line 7.

(iii) Concerning both licensees Hunt and Marco, Mason testified that he had had no relations with either of them whatsoever, and neither Hunt nor Boyle, or Marco, gave any evidence concerning any improper relations or activities by Mason, or any improper dealings with Plastic licensees.

Mason, Tr. 500-2, 506; Mason Deposition, p. 23, line 8, to p. 24, line 25, Ex. 102; Boyle, Tr. 248-9, 250, 259; Boyle Deposition, p. 46, lines 2-25, p. 50, line 24, to p. 51, line 22; Ex. 101; Hunt Deposition, p. 43, line 18, to p. 44, line 14, Ex. 149.

(iv) In this litigation against Hunt and Marco, commenced in January, 1963, the case as against Mason was dismissed voluntarily by Plastic in November, 1963, only after Plastic through its attorneys had taken Mason's adverse party deposition.

Mason Deposition, Ex. 102; Mason, Tr. 553.

(v) The depositions of Tired, Parker, Hunt and Boyle, previously above described, were all taken by Plastic's counsel in the San Francisco litigation of *Plastic v. Hunt and Marco, et al*, after the action was filed. None of these depositions demonstrates any basis whatsoever for the litigation or the charges made. Mason, in this same litigation, filed a motion for summary judgment, because of lack of support for the case, and this was resisted by an affidavit of Plastic's San Francisco counsel, Mr. Hoppe (Ex. 59), clearly showing the lack of any information or evidence upon which to base the charges made. In essence, many of the charges in Plastic's counterclaim in this principal case

are centered around charges of improper activities by Butterfield and his attorneys in relationships with Plastic licensees or their attorneys.

C 52. The lack of any adequate foundation for Plastic's claims which are in effect the same as the charges made in the litigation above described is further demonstrated in Plastic's answers to Plaintiff's Third Interrogatories, dealing with Plastic's counterclaim herein (Ex. 7). In these interrogatories, Butterfield's counsel were attempting to compel Plastic to set forth the basis for such charges and, except for the areas previously described, the regions of possible improper contact set forth by Plastic in their answers to these interrogatories appear in the answers to Questions Nos. 3 and 22.

(a) These show that there is litigation between Plastic and W.R.S. Contact Lens Laboratories. Correspondence between Bullivant, one of Butterfield's attorneys, Ex. 86 to 86b, inclusive, occurred in October, 1963. This occurred after the present action was filed, in an effort by Butterfield's attorneys to ascertain whether or not Plastic was charging in its litigation with W. R. S. that Butterfield conspired with W. R. S. to damage Plastic. Similarly, there was some correspondence between Mason and Bader, the attorney for W. R. S., all occurring between October, 1963, and February, 1964 (Ex. 144), looking toward a possible meeting between Bader and Mason which never took place. All of this occurred long after Plastic had sued Mason for conspiracy in January, 1963, and after the Butterfield case against Plastic was filed in Portland

in Federal Court in July, 1963. In view of the contentions made by Butterfield in his pleadings in this case that the charges hurled by Plastic against Mason and Butterfield were groundless, the Court finds nothing wrong in the efforts of Butterfield's attorneys to contact other attorneys litigating with Plastic to determine the nature of the pleadings and proceedings involved.

(b) Defendant's answers to the interrogatories above described infer some improper dealings between Butterfield's attorneys and Dr. Noel Genevay of New Orleans. The evidence shows that the dealings of Bullivant, attorney for Butterfield, all took place in New Orleans in a personal meeting between Bullivant and Genevay's attorneys in January, 1963, held for the purpose of discussing a possible license between Butterfield and Genevay.

Correspondence, Ex. 96 to 96d, inclusive; Butterfield, Tr. 346.

(c) The Court finds that the correspondence issued by Mr. Breger or by his counsel (attachments to Ex. 59, letter, January 3, 1963, Tabin to Breger, letter January 9, 1963, Breger to Goldberg) pertaining only to Mr. Mason, shows nothing whatsoever improper on Mason's part and that Mason did not have any knowledge of any effort by Breger or his group to solicit funds for counsel fees.

Mason, Tr. 517-37, 555-6.

(d) While Ocular Products, Inc., of New York is mentioned in the answers to these interrogatories as a possible source of improper contact, both Butterfield

and Mason have testified that there was no relationship whatsoever in this area, and there is no evidence whatsoever supporting any charge of conspiracy, involving this Plastic licensee.

Butterfield, Tr. 345; Mason, Tr. 499.

C 53. Since the time of the settlement agreement Plastic has improperly asserted as its policy in the trade that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility. It has also asserted an unduly wide scope for its Patent, including correspondence claiming the Tuohy Patent to be of pioneer nature and stating its susceptibility to broad and liberal consideration.

Wesley Deposition, pp. 107-111, 112-114, Ex. 12;
Opening statement of counsel in this case, Tr.
44-45; Ex. 95, attached letter of July 8, 1963,
McClure to Vision Clear.

54. It has further, in correspondence, misrepresented, to a material degree, the nature of the settlement it made with Butterfield. Van Sciver, its attorney, in writing to Biebel, attorney for Univis, a substantial Plastic licensee, after being advised by Biebel in his letter of July 27, 1962, that "Mr. Butterfield continues to press his claim for infringement against Univis . . .," stated in his reply letter of August 3, 1962, in referring to the settlement, "that Geo. H. Butterfield & Son has acknowledged that the Tuohy Patent is good in law and has been infringed by it." Under the settlement documents, no party acknowledged any infringement of patent except that Plastic agreed that Solex had infringed the Butterfield Patent.

See Ex. 69 for Biebel-Van Sciver letters.

C 55. The effectiveness of the offers of indemnity by Plastic to its licensees, in December, 1962, in preventing them from dealing with Butterfield for a license, despite their manufacture of Butterfield-type lenses, is demonstrated by the cases of two Portland and one Vancouver, Washington, manufacturers holding Plastic licenses who were sued by Butterfield for infringement or threatened with suit after Butterfield had proof, through sample lenses, of their making of Butterfield-type lenses. These were the instances of Columbian Bifocal, of Portland, Northwest-Northern and Paramount, of Portland, and Rich-Tint, of Vancouver, Washington.

(a) Butterfield had proof that Rich-Tint and Northwest-Northern, both holding Plastic licenses, were making Butterfield lenses, yet declined to take a license from him.

Butterfield, Tr. 173, 182-3.

(b) Butterfield sued both Northwest-Northern and Rich-Tint in the United States District Court for the District of Oregon before either of these concerns had accepted Plastic's offer of indemnity for claims asserted for infringement of the Butterfield Patent. Each action was settled after appearance by attorneys for each licensee by the entry of a consent judgment and the taking of a Butterfield license.

See Exs. 83a, 83p, as to Northwest-Northern;
87c, 87a, as to Rich-Tint.

(c) A substantially similar result was obtained

with respect to Columbian Bifocal as against whom the complaint was prepared but never filed after meetings between the attorneys for Butterfield and Columbia (sic) Bifocal. In each of these three instances the evidence shows that the attorneys for each licensee corresponded with the attorneys for Plastic, bitterly complaining of Plastic's unwillingness to extend indemnity against claims for infringement of the Butterfield Patent and the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic, they would not have settled with Butterfield by taking a Butterfield license, despite their manufacture of Butterfield-type lenses.

Butterfield, Tr. 174, as to Columbian Bifocal dealings; Correspondence concerning Columbian Bifocal, Ex. 94 to 94h, inclusive, and Ex. 56 and Ex. 70; Pleadings and correspondence concerning Northwest-Northern and Paramount, Ex. 83 to 83r, inclusive, and Ex. 39a to 39r, inclusive; Pleadings and correspondence concerning Rich-Tint, Ex. 87 to 87b, inclusive, and Ex. 38 to 38b, inclusive.

C 56. Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield in his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees.

(a) Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by

various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses, or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties.

United Optical, Ex. 15a-b; Contact Lens Co. of America, Ex. 16, a, b; Univis, Ex. 25a-e; Precision Cosmet, Ex. 26a-d; Marvin Nelson, Ex. 82a-b; Erickson Optical, Ex. 19a, b, c; Raycon, Inc., Ex. 20a, b, c; Yakima Contact Lens, Ex. 55; Spokane Eye Clinic, Ex. 92B; Global Contact Lens, Ex. 13B, C; Wisconsin Optical Ex. 14a, b, c, d, e; Dist-O-Con, Ex. 21a, b; Cal-Con, Ex. 24a, b, c, d, e; Tanco (Tannehill) Ex. 88a, b, c, d, e, f; Bostick Optical, Ex. 28; Custom Contacts, Ex. 31.

(b) In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Patent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting

its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity.

(c) The indemnity agreement offered by Plastic fails to condition the offer of indemnity to devices which are made in accordance with the teachings of the Tuohy Patent. This agreement provides in paragraph 2 that Plastic will indemnify a licensee "against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246, with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The agreement in paragraph 1 expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraphs 2, 3, and 4 of said patent license . . . upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), paragraph 2, in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85% of such award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

Ex. 75.

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to continue the claim of a broad royalty base which it sought to enforce on non-Tuohy and

non-patentable items under its original license agreement. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on Butterfield's rights under his Patent and look solely to Plastic for indemnity.

(d) As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements, for reasons more fully hereafter stated in the Conclusions of Law. This estoppel, as the Court hereafter determines, is an estoppel to challenge that it has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement. Additionally, the Court finds that the use of these indemnity agreements is a breach by Plastic both of its license agreement with Butterfield and of the implied and express terms of the consent judgment, stipulation and settlement agreement.

C 57. Plastic's application of its royalty base in its license agreement to all types of corneal lens devices, whether Tuohy or not, and whether patentable or not, wrongfully and illegally restrained trade and violated

the anti-trust laws to the injury and detriment of Butterfield.

(a) There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its own administrative staff to testify to any difficulties which might exist in this area.

(b) The broad royalty base enforced by Plastic, whether justified by its license contract or not, is an illegal effort to extend the legitimate monopoly of Plastic under the Tuohy Patent to large quantities of non-Tuohy devices and the enforcement of this provision necessarily causes Plastic licensees to refuse to deal with Butterfield and others who may have legitimate claims for royalties under their own patents.

(c) Some contention was made at the trial by Plastic that Butterfield himself, in his license agreements, employed a royalty base which was broader than a pure Butterfield-type of lens. Butterfield's license agreements were all placed in evidence as Exhibit 117. The Court finds that these agreements do not support Plastic's contentions in this respect.

(i) These license agreements of Butterfield fall into three categories: Four of them only, Titmus, Utah Optical, Mann Instrument Company and Southern Contact Lens, call for a payment of a royalty based on five per cent of the gross sales of contact lenses by the licensee. These agreements all preceded the settlement of April, 1962, and all of them, with the exception

of Mann Instrument Company, became Tuohy licensees, through Butterfield, as a part of the settlement. Therefore, whether or not Tuohy lenses or Butterfield lenses were covered in the royalty base becomes immaterial.

(ii) The next class of Butterfield license agreements is the so-called paid-up license form, and these are the most numerous, as shown in the last mentioned Exhibit. Butterfield testified, Tr. 284-6, as to the method of computing the paid-up royalty provided for in this type of license. He bases it upon the volume of the prospective licensee in the previous year. The monthly average is ascertained and the monthly number of lenses is multiplied by $37\frac{1}{2}\text{¢}$ per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent. The licensee pays the thus-determined amount for the paid-up license and that amount is paid in equal installments.

(iii) The third type of Butterfield license agreement is the so-called unitary type which rather clearly, under the forms in Ex. 117, calls for a royalty of 50 cents per lens only on lenses made under the Butterfield Patent.

(iv) Several of the royalty agreements of Butterfield contain express provisions that all unfinished lenses shall be sold by the licensee with a notice on the invoice that the lenses are to be finished only in accordance with the Butterfield Patent. Moreover, the evidence is undisputed that Butterfield used a rubber stamp (Ex. 115) which he provided to all of his li-

censees with instructions that they use the rubber stamp on their invoices. This rubber stamp contains instructions that the lenses involved are to be finished only in accordance with the Butterfield Patent. Butterfield, as the owner of the Butterfield Patent, had every legal right to authorize his licensees to in effect grant an oral sublicense to their buyers to finish lenses in accordance with the Butterfield Patent. At least one Butterfield licensee, Con-Cise, uses a printed form on its invoice similar to the text of the rubber stamp.

Butterfield, Tr. 286-8; Butterfield, Tr. 288-9; Ex. 131; Tired Deposition, Ex. 146, p. 38, lines 2-15; Parker Deposition, Ex. 103, p. 21, line 21, to p. 23, line 17; p. 25, line 24, to p. 26, line 1.

C 58. The Court, in addition to finding that Butterfield, by the wrongful acts of Plastic herein set forth, has been prevented from acquiring a substantial volume of new business under license agreements, further finds that, because of the same acts of Plastic, various Butterfield licensees have stopped paying royalties to him. This decrease in royalty revenue is reflected in the statement of Butterfield royalty revenue and the list of defaults appear. Typical of the refusals to pay, because of the activities of Plastic, are the cases of James Tannehill (see correspondence), and Dr. Conlogue who appeared as a witness. These licensees advised Butterfield that they were not paying either Plastic or Butterfield because they were unwilling to pay double royalties and it is clear in both cases that each licensee was making a Butterfield-type of lens.

Ex. 118; Ex. 74; Exs. 88a to f; Exs. 80 a, b; Butterfield, Tr. 270; Conlogue, Tr. 310-12.

C 59. The Court find (sic) that the acts of Plastic in seeking to enforce a broad royalty base, in misrepresenting the terms of the settlement with Butterfield, in wrongfully challenging the scope and utility of the Butterfield Patent, in offering indemnity against infringement of the Butterfield Patent to its licensees and in bringing, maintaining and threatening to prosecute coercive actions against licensees who may deal with Butterfield or negotiate with him are wrongful, in tortious violation of Butterfield's rights, are illegal restraints on trade, violations of Federal anti-trust laws against acts in restraint of trade, are unfair competition in that they wrongfully interfere with Butterfield's contractual relations with his licensees and with Butterfield's legitimate business anticipations in his licensing program and are a violation of the implied covenant of good faith in the settlement agreement, settlement stipulation and consent judgment involved in the settlement of the former litigation between the parties.

C 60. While the Court is unable at this time from the evidence now before it to make a reasonably accurate determination of the damage sustained by Butterfield as a proximate result of the wrongful conduct of Plastic, the Court finds that the damage and injury suffered by Butterfield from such conduct and the damage and injury he will sustain in the future are substantial and irreparable and that the wrongful conduct of Plastic, unless enjoined by appropriate injunction, will continue

and will result in further irreparable damage and injury to Butterfield.

Ruling is reserved on the amount of damages sustained by the plaintiff by virtue of the acts of defendant until an accounting is had, as hereinafter directed. Likewise, the Court reserves ruling on the reasonable value of the attorney fees to be allowed to plaintiff.

C 61. The Butterfield Patent was issued March 6, 1951, and has only about 44 remaining months of the term for which it was granted, and the time and expense which would be required to institute and prosecute infringement actions against the numerous infringers in various jurisdictions would be prohibitive and the delay incident to the maintenance of such actions would result in the expiration of the Butterfield Patent before such actions could be completed. A large majority of the corneal contact lens manufacturers who would be defendants in such actions have limited financial means and for that reason alone many of the actions would quite likely be ineffective insofar as Butterfield obtaining any financial recovery for the infringements would be concerned.

C 62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

C 63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees.

C 64. There is no evidence to support the charge of Plastic that Butterfield has asserted for his Patent a scope far broader than it actually has or that Butterfield has charged many manufacturers with infringement based on alleged over-broad pretensions as to the scope of his Patent.

C 65. Plastic did not offer its indemnity agreement in December, 1962, as claimed by Plastic, in a sincere effort to protect its licensees who were not making Butterfield lenses but, as previously found, said indemnity was offered for the purpose of preventing Plastic licensees making Butterfield lenses from dealing with Butterfield.

66. There is no evidence supporting Plastic's charge that Butterfield has repeatedly told Plastic licensees that their lenses did not utilize the Tuohy invention or that they need not pay royalties to Plastic on such lenses or that the royalty base provided in Plastic's license agreements was illegal, and the alleged defaults in Plastic's license agreements have not been brought about by any wrongful conduct on the part of Butterfield.

67. The Court finds as untrue the charge of Plastic that Butterfield, through his attorneys, has been an officious intermeddler in Plastic's suits and actions against its licensees by aiding and abetting such licensees through tendering legal advice or through encouraging them to band together or by providing legal services and talent for such parties.

68. Plastic has failed to establish, prove or justify any of its material allegations or contentions with respect to its counterclaim.

69. While Butterfield is a principal stockholder in Butterfield & Son, there is no evidence that Butterfield & Son is Butterfield's alter ego.

70. There is no evidence showing that Plastic has been damaged or injured in any sum by any act of Butterfield or any of his attorneys.

C 71. There is no evidence showing that Butterfield has ever asserted or contended for any broader scope of the Butterfield Patent than is described and claimed in and by said Patent.

72. There is no evidence showing that Butterfield has ever used the Butterfield Patent in any manner which violates the anti-trust laws of the United States.

73. The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief.

Based on the foregoing Findings of Fact and the proceedings in this cause, the Court makes the following:

CONCLUSIONS OF LAW

I

C Butterfield is not estopped to raise the issues of unfair competition, restraint of trade and violation of

the anti-trust laws due to Plastic's enforcement of a broad royalty provision in its license agreements. Neither the interpretation of these license agreements, the validity of the contractual base therein provided or the validity of Plastic's acts in seeking to enforce a broad royalty base were adjudicated, settled or disposed of in the consent judgment and supporting settlement documents.

II

C Butterfield is not estopped to raise issues of unfair competition, restraint of trade or violation of the anti-trust laws due to Plastic's royalty practice, and such practice and conduct on the part of Plastic represent not only continuing wrongs giving rise to new causes of action but also subsequent misconduct, actions for which are not barred by the prior consent judgment and settlement agreement.

III

C Plastic, as a party to the prior consent judgment and settlement agreement, is estopped to challenge the validity of the Butterfield Patent and the other issues therein expressly concluded by agreement.

IV

C Additionally, the continued use by Plastic of such claim of broad royalty base, in combination with the other wrongs set forth in the Findings of Fact and in these Conclusions of Law, give rise to a new tort or wrong or series of new torts or wrongs in combination so that the same wrong or tort as that which might have been involved at the time of the settlement of

the former action is not involved in the present litigation.

V

C Plastic's use of circulars, letters and other means of communication for the dissemination of false or misleading representations as to the operative effects of the Butterfield Patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties, in an effort to induce Butterfield licensees and prospective licensees in the corneal contact lens field to discontinue or refuse to enter into contractual relations with Butterfield, is actionable interference with Butterfield's contractual relations and business interests.

VI

C The institution or threat of institution of groundless and vexatious civil suits against Butterfield, his licensees and potential licensees by Plastic are wrongful and justifiable (sic) interferences with business relations and enjoined acts of unfair competition and, when such suits and threats of suit are considered in relation to other related activities on the part of Plastic, an underlying unlawful scheme to suppress competition is revealed for which Butterfield is entitled to relief even if such suits are not entirely groundless.

VII

C Plastic's indemnity agreement is entirely different from the standard indemnity form used in patent licenses. The indemnity agreement, on the facts in this case, constitutes a wrongful bargain to indemnify another against the consequences of committing a tortious

act, and it is illegal since the performance of the tortious act under the evidence, to-wit; interference in dealings between Butterfield and prospective licensees and infringement of the Butterfield Patent and the offer of indemnity tended to and did bring about such acts.

VIII

C Plastic is estopped to challenge the operative effect or utility of the Butterfield Patent and is likewise estopped to challenge its validity.

IX

C Plastic, as a licensee of the Butterfield Patent, is estopped to attack its validity and since the utility of the Butterfield invention is an essential requisite to patentability, Plastic cannot challenge the operative effect or utility of the Butterfield Patent.

X

C Plastic cannot use its legitimate patent monopoly as a method of suppressing competition or acquiring a monopoly outside the area of the monopoly which the patent grants or in any way extending the scope of the patent beyond that granted which it does through the exaction of royalties from its licensees on unpatented, unfinished and uncut pieces of material used in the manufacture of corneal contact lenses, as well as upon finished corneal contact lenses made in accordance with the Butterfield Patent.

XI

Plastic is estopped to assert that the Butterfield lens is covered by any claim of the Tuohy Patent by the rule of patent construction, often referred to as "File

Wrapper Estoppel," that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected.

XII

C An interlocutory decree should be entered permanently enjoining and restraining Plastic from:

(a) The dissemination of false claims and information concerning the lack of utility or claimed narrow scope of the Butterfield Patent,

(b) The dissemination of misleading, false, or erroneous information concerning the terms of the settlement of the former action between the parties, including deceptive types of concealment and non-disclosure with respect thereto,

(c) The continued enforcement or use of a royalty base in its license agreements covering devices other than Tuohy-type devices,

(d) The continued use of an indemnity agreement with its licensees offering indemnity against claims for infringement of the Butterfield Patent,

(e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions against Plastic licensees wrongfully and without foundation charging alleged conspiracy with Butterfield or with others and the assertion of damages therefor, including any pending actions described in the Findings of Fact.

XIII

C An accounting should be had to fix the amount of

Butterfield's damages growing from the conduct of Plastic as found in this litigation and a judgment entered for thrice the amount of such damages. At the same time the Court should fix the amount of attorney fees to be awarded to plaintiff.

XIV

Realizing that an appeal may be prosecuted under the provisions of 28 U.S.C. § 1292 (a) (4), from my interlocutory decree, I shall not fix a time for hearing on the issues of damages.

DATED this 1st day of March, 1965.

JOHN F. KILKENNY,
District Judge

**ARTICLE RE CONTACT LENSES FROM FORTUNE
MAGAZINE, APRIL 1936**

(The original Exhibit, 68, contains the front page of the magazine with authenticating dating and the following material is copied from the Exhibit as the entire context of the article labeled "Contact" and dealing with contact lenses.)

"Although contact eye glass lenses are more than a hundred years old—they were invented in 1827 by Sir John F. W. Herschel, son of the great astronomer—the use of them has become noticeable only in the past three or four years. Last year the American offices of Carl Zeiss, Inc., of Jena, Germany, sold 450 lenses, compared to 300 the year before, and the E. & S. Danz Co. of Manhattan sold more than a hundred. All told, about 3,000 U. S. eyeglass wearers go around with the eyeglass lenses perched not on either side of the nose but resting on the eyeball, under the eyelid.

"There isn't anything that will bring out the latent squeamishness in people so quickly as the suggestion that they wear glass lenses—or anything else—right inside their eyes. But contact lenses don't bother the wearer at all if properly fitted. They can be put in and taken out in a few seconds, worn for eight and ten hours at a stretch without irritation. You hardly know you have them on and no one else can see them. Though only a hundredth of an inch thick, they are protected by the bony structure around the eye and cushioned by the eyeball and don't break even if you get socked in the eye. At least, Zeiss knows of only one case of breakage in use. A man in Germany was

in an automobile accident, his face was smashed and his eyelid slashed away. The contact lens cracked, without splintering. But on breaking it broke the force of the blow on the eyeball, saving it from rupture and the man from blindness.

"There is no reason, Zeiss or Danz will admit blandly, why you should wear contact lenses if ordinary eyeglasses suit you. Zeiss lenses cost \$55 to \$80 a pair and an oculist's fee runs up another \$25 to \$50. Danz charges \$75 to \$150. Contact lenses are more of a nuisance than ordinary glasses, but tennis and squash players and swimmers, whom glasses hinder, find them useful. Nearsighted actresses, whose public would rise up in scorn to see them wearing spectacles, could use contact glasses to advantage. Libby Holman wears them. A ship captain uses them on the bridge where his ordinary glasses get clouded with spray. Certain eye defects (chiefly keratoconus, a cone-shaped malformation of the cornea) can be ideally corrected by contact lenses. But 50 per cent of contact sales are made to women who are, justifiably enough, vain of their looks and realize that they are more beautiful without spectacles than with. A specific Zeiss recommendation is that contact glasses be worn by oversensitive young girls who might get inferiority complexes if they wore spectacles.

"Zeiss and Danz lenses achieve the same results but they are produced quite differently. Zeiss, which grinds optical glass for everything from microscopes to planetariums, grinds contact lenses. Danz, whose major business is blowing artificial glass eyes, blows them. Danz's blowers, who double in glass as artificial-eye makers, are so expert that they can blow in the slight difference in the thick-

ness of glass that give the glass optical properties. Zeiss lenses have a wider range of correction than Danz, which, incidentally, fit more loosely than Zeiss. While the Zeiss lenses fit only over the iris and pupil and are entirely transparent, Danz lenses cover the whole front of the eyeball—the glass covering iris and pupil is transparent, the rest opaque to simulate the white of the eye. Zeiss perfected its grinding processes only two years ago and the Danz method was also improved a couple of years ago. The improvements, of course, are what account for the recent increase in contact lens use.”



**TESTIMONY OF WITNESSES CONCERNING FITTING OF
LENSES AND PARTICULARLY THE SECONDARY OR
PERIPHERAL CURVE**

JEROME B. CONLOGUE

(A licensee under both the Butterfield and Tuohy
Patents and an experienced manufacturer
and fitter.)
Tr. 306-337

“Q. Doctor, in your practice as an optometrist which involves the actual fitting of lenses to patients, and I am referring to the period subsequent to April, 1962, what are the characteristics of lenses which you fit on to the eyes of your patients?

“A. Well, it is a lens consisting of a concave and a convex surface. It has an optical area of the various size, depending upon the requirements of the patient.

“It then has what is generally known as secondary curves or intermediary curves that I consider to be the fitting curve of the lens. They can vary in degree or radius.” (Tr. 314)

* * *

“A. In my practice I want a lens that conforms to the general curvature of the cornea and without any contact at all, if possible, in its primary position.

“Q. How is contact avoided, Doctor?

“A. When the adjustment of the curves, both the radii of the optical—the radius of the optical area and also the modification of the curvatures of the fitting curves, the second or intermediary curves.

“It is also controled (sic) by size, adjusting size sometimes larger and sometimes smaller.

"All these things come into play in establishing the characteristic of the lens and the ultimate fit desired.

"Q. With respect to the type of lens you are describing, has it a space for a tear layer provided under these?

"A. Yes.

"Q. Between the lens and the cornea?

"A. Yes.

"Q. What is the characteristic of that as to whether it is more or less uniform?

"A. Well, it is seldom completely uniform, but you want clearance of the cornea, like I said again, in the primary position of the lens. *You strive for a uniform fluid pattern.*" (Emphasis supplied) (Tr. 315)

* * *

"THE COURT: That is correct. Now, irrespective of the patent or what you read in the patent itself, would you tell me what the distinguishing features are that you find yourself in the Tuohy lens and the Butterfield lens.

"THE WITNESS: As a practitioner, not as a patent—

"THE COURT. As a practitioner, not as a reader of the patent itself.

"THE WITNESS: Well, the basic difference of the two lenses is the fact that Tuohy lens does not have any secondary intermediary curves. They both have a bevel of their own design. They disagree, or the fitting of the Tuohy lens as I fitted the Tuohy lens, it had corneal apical touch.

"THE COURT: What is that? What is the touch you are talking about?

"THE WITNESS: Apical is the center of the back surface of the contact lens rested on the apex

or you might say the geometrical center of the cornea.

"The lens that I am fitting in my office today—

"THE COURT: Now, is this the lens you were referring to as the Butterfield lens?

"THE WITNESS: Yes, and conforms without touching the cornea at any area and accomplishes the fit by modifying secondary curves and bevel.

"The big difference is the Tuohy lens was much larger and it had an apical touch. There was no way of modifying it other than making a little less apical touch, where this touch you can make it as steep or as much clearance as you want over the cornea, depending upon the particular case you are working on. (Tr. 320, 321)

* * *

"Q. You mentioned in the course of your direct examination—and this I may not describe quite correctly—a test which I think is the Fluorscene test. Does that involve the mixing or dissolving into the tears a dye which will glow under black light?

"A. Yes.

"Q. Then as I understand the test—incidentally, it has been explained by a previous witness, but if you disagree with anything he said I hope you will set it right—as I understand it, then, after the dye has been dissolved into the tears then the eye is illuminated with black light and the examining doctor can see by the green glow the distribution of the dye under the lens?

"A. That is correct.

"Q. Now, when you have fitted a lens, and have a good one that you are satisfied with and plan to send your patient on his way, have you observed typically when the Fluorescene test is used that there

is relatively little or no glow in the center of the lens, but that it gets progressively brighter out towards the edges?

"A. No, that is not true.

"Q. What is the characteristic of the Fluorescence test observed by you when you are satisfied with the fitting? What does it look like?

"A. I would say in most cases it is just the reverse. As you get towards the periphery of the cornea, where it is flatter, there is less glow.

"Q. What does this mean? Does this mean a thinner tear layer or a thicker one?

"A. A thinner tear layer.

"Q. In general you find the greenish part is the portion in the center, and the part that is glowing less brightly out toward the edge?

"A. No, I didn't say that. I merely reversed what you had heard before; that it was thinner in the center. The glow, if you can accomplish it, if it is uniform you have much better fittings.

* * *

"Q. As I understand it, he says that a well-fitted lens will, when the Fluorescence test is used, just reflect a substantially uniform green glow over its entire surface.

"A. That would be ideal." (Tr. 330-332)

JAMES A. SATTERLEE

(A Butterfield licensee experienced as both a fitter and manufacturer who manufactures from detailed prescriptions)

Tr. 459-469

"Q. Now, in a general way since you have your license from Butterfield, I will ask you, not for a legal opinion, but your opinion as a layman,

whether your business manufactures and sells a Butterfield type lens?

* * *

"THE COURT: I think that is generally true, Mr. McDougall but, nevertheless, he can answer the question, but I do want him to describe the type of lens then that he manufactures. After all, the weight of it then is going to be for the Court.

"THE WITNESS: Eliminating that is a Butterfield or a Tuohy lens, let me put it this way. We manufacture, as close to my knowledge as possible, a conforming type lens. I have discussed fitting techniques with every one of our accounts, and this is the general concensus, (sic) that we are all striving to fit a conforming type lens, so this is what we are making in our laboratory, to my knowledge.

"Q. When you say conforming type lens, do you mean ideal in exact conformity in a theoretical sense?

"A. As close as possible.

"Q. Well now, are you familiar with, by reason of your business, with the topography of the human cornea?

"A. Well, yes, to a certain extent. I don't think any of us are real experts on it.

"Q. Well, let me ask you what is it, a complete perfect geometric configuration, or does it have—

"A. It has irregularities.

"Q. Irregularities?

"A. Right.

"Q. Therefore, Mr. Satterlee, according to your experience, is it possible to accomplish exact conformity?

"A. Exact conformity, no." (Tr. 462-463)

JAMES C. DIPPERY

(A Butterfield licensee experienced as both a fitter
and manufacturer)

Tr. 201-235

“Q. Now, in your solicitation efforts in this area, what, if anything, did you learn as to the type of lens being made as a trade when you interviewed?

“A. By and large, a Butterfield lens or a bicurve lens at least.

“Q. Now, Mr. Dipprey (sic), you have discussed the Butterfield lens. In your trade experience and in your own business and in your dealings with the trade, would you please state your concept of the general characteristics of a Butterfield lens?

“A. Well, it would be a lens that would conform to both meridians of the cornea or as close as possible with a second or a series of secondary curves and bevels conforming to the cornea.

“Q. Now, have you formed any conceptions in your own mind as to the type of a lens which complies with the Tuohy patent?

“A. Yes, sir.

“Q. Would you please state what they were?

“MR. McDOUGALL: This is objected to, your Honor. It calls for an interpretation of a patent by a witness who obviously doesn't have any foundation for it.

“THE COURT: Well, I think he is qualified to assert the extent. He has given his conception of one of the patents. Now, I believe it would be helpful in weighing this witness' testimony to see what he says about the other type. Proceed.

“THE WITNESS: After reading the patent from a mechanical standpoint, the lens would be fabricated flatter than the lowest meridian of the

cornea without any secondary curves or without a second curve." (Tr. 208-209)

DON WEST

(A teacher of optometry, not in the practice, called
by Plastic)
Tr. 636-668

"Q. What is the fact with respect to the degree of difference of opinion in the subject of conformity between the lens and the cornea to which it is being fitted?

"Is there—well, you tell us, is there disagreement or agreement on that point?

"A. There seems to be a wide disagreement with respect to conformity especially in the peripheral areas.

"If there be conformity, it would be in the optic zone, optic cap area, the very small area somewhere near the center part of the cornea, and the contact. Peripheral to this there would have to be, in the thinking of our profession, a greater difference in the distance between the cornea and the contact.

"MR.. BULLIVANT: What was the last word? I am sorry.

"THE WITNESS: Between the cornea and the contact in the peripheral.

"MR. McDOUGALL: Q. By the word 'contact' you mean contact lens?

"THE WITNESS: Of the contact lens, ocular surface of the contact lens." (Tr. 642-643)

* * *

The witness on page 662 referred to a blackboard drawing (Ex. RR) depicting an area on the periphery of the cornea described in his testimony as the area be-

tween points B and C. This is the peripheral area as to which Plastic claims there is a flaring away by the lens from the cornea curvature according to trade practice. After referring to this area, on cross examination, the witness testified:

"Q. I don't understand it, Doctor. I am sorry. It is my fault entirely, I am sure.

"I am trying to find out what these differences of opinion in this area between B and C mean. Do they exist with respect to the relationship which the lens bears to the opposite portion of the eye or the cornea?

"A. It would have to be related to it.

"Q. Are these differences with respect to the degree of clearance between the lens and the eye?

"A. Yes.

"Q. They are. Then there is no—

"THE COURT: Speak up, Doctor, so the reporter can get your answer.

"THE WITNESS: Yes.

"BY MR. BULLIVANT:

"Q. There is, then, no uniformity of opinion in that respect, as to the degree of uniformity in that area?

"A. That is correct.

"Q. I mean the degree of conformity in that area.

"A. That is correct.

"Q. So I assume, then, that there are competent people who believe in one degree of clearance in that area, and there is likewise other competent people who believe in a different degree of clearance or variation in that area?

"A. Yes.

"Q. And there is, then, therefore, no universal

or commonly accepted theory or technique with respect to that particular zone that we are talking about? Is that a correct conclusion from your testimony?

"A. Yes." (Tr. 662-3)

GEORGE H. BUTTERFIELD

Plaintiff

"Q. Do you have any means of knowing, Doctor, whether in a given instance the conformity will be a true conformity all the way around, or will it conform only in one meridian?

"A. We know that the sclera is astigmatic as well as the cornea. We know the secondary area of the cornea underneath the secondary curve—we know that the astigmatism carried out from the central area into the secondary, or from the primary area into the secondary area. We know that. And this is good fitting technique, to fit a lens that generally conforms." (Tr. 395)

In addition, Butterfield testified in detail as a result of his numerous trade contacts and investigations that substantially all of the trade he interviewed was making a generally conforming bicurve type of Butterfield lens (Tr. 171, 172, 181, 185, 186, 264, 351, 368, 391).

The deposition of Hunt, a Plastic and Butterfield licensee sued by Plastic in California, also shows the extensive use in the trade of a Butterfield-type lens (Ex. 59, p. 32, line 21, to page 33, line 6).

ANALYSIS OF TRADE LITERATURE, EXHIBIT 104,
PARTICULARLY AS IT PERTAINS TO
SECONDARY OR PERIPHERAL
CURVE OF LENS AND ITS
RELATION TO PERIPHERY
OF CORNEA

Exhibit 104A, *Central Laboratories*, pp. 17 and 18,
Section A:

"The cornea is steeper in the central area which is known as the optic cap. We ordinarily measure the radius of curvature of the optic cap with a Keratometer. This flattening of the cornea peripheral to the optic cap shown in Diagram C may be compared to the diagrams of the corneal lens (Diagram A and B). We now see why the periphery of the contact lens is made flatter, longer radius of curvature than the center. *The objective is to design the lens so that it will conform to the corneal contour.*" (Emphasis supplied)

Exhibit 104B, *Precision Cosmet Company, Inc.*, shows use of secondary curve.

Exhibit 104E, *Conforma Contact Lenses, Inc.* (Cited in Plastic's brief, pp. 2 to 6):

"The name 'Conforma' is so given to this lens because it is made to conform most nearly to the true shape of the cornea."

* * *

"The base curve value will be that of the flatter corneal curve as measured in millimeters. * * *

"The Peripheral Curve and the Peripheral Flange of the Lens.

"The purpose of the peripheral curve is to pro-

vide for a free lacrimal flow. It permits the lens to hold position without tight symptoms developing.

“Fluorescein Picture.

“The dye pool at the periphery should be a wide, deep green pool about 1 mm. in diameter.

* * *

“A minimal clearance pool is what we strive for. An absence of dye will indicate corneal touch. This is observed as being a black area where the lens is touching the cornea.”

Exhibit 104F. Article by Salvatori, President of Obrig Laboratories, Inc., p. 7:

“The fluorescein test should show a faint greenish yellow reflex between the primary curve and the cornea. * * *

“The secondary curve should also show a fluorescein reflex.”

Exhibit 104G, *Obrig Laboratories, Inc.* Shows use of primary and secondary curves.

Exhibit 104i, *Bausch & Lomb, Inc., Dallas, Texas.*

“* * * Our rule of thumb in most cases is this:

“1. Use a contact lens whose inside radius of curvature is the same as the radius of curvature of the flattest corneal meridian.

“The second rule of thumb is this:

“2. Contour the periphery of the lens in a manner that will allow for proper corneal metabolism.”

Exhibit 104H, *Obrig Laboratories, New York.* (This is cited in Plastic's brief at page 20). The following quo-

tation from p. 23 directly contradicts the quotation made by Plastic from the same publication:

"The secondary curve must parallel secondary curve of the cornea."

Exhibit 104J, *Contact Lens Guild, Inc.*, p. 7:

"Fluorescein Pattern.

"Should show (1) moderate apical clearance centrally, (3) a band of green preferably not too dark in color surrounding the lens and indicating peripheral clearance."

The eight items of literature, Exhibits 104K to 104S, inclusive, all show the use of bi-curve lens types and order forms concerning characteristics of secondary or peripheral curve.

Exhibit 104T, *Indiana Contact Lens, Inc.*:

"* * * the peripheral zone which is an attempt to parallel corneal contours and which may in the lens consist of any number of adjacent curves or bevels."

Exhibit 104U, *Bausch & Lomb, Inc., Rochester, New York*, p. 4:

"Bausch & Lomb normally supplies secondary curves on these lenses flatter than the base curve in standard ratios depending on the power of the base curve."

Exhibit 104V, *Tru-Form Contact Lens Corporation*:

"The ideal fluorescein pattern is one in which there is a light fluorescence throughout the entire lens area."

Exhibit 104W, *Contour Comfort Contact Lens Corporation*:

"a. Base curve. Generally speaking, the base curve should be on K. Occasionally it is slightly steeper than K. Rarely or never is it flatter."

"7e. Secondary curve radius. Do not open edge too much.

"One mm. flatter than the base curve usually will allow the right amount of tear circulation."

The last two items, Exhibits 104X and 104Y, depict the use of a bi-curve type of lens.

CONTACT LENS CO. OF AMERICA

712 E. Colfax

DENVER 3, COLORADO

Phone AC 2-5302

Nov. 26, 1962

Pltf. Exhibit #16A

Case 63-294

Rptr: J.B.

Date 6-22-64 Clerk C.M.

Plastic Contact Lens Co.

37 S. Wabash Ave.

Chicago 3, Ill.

Attn.: Legal Dept.

Dear Sir:

Today I was contacted by Mr. George H. Butterfield from Portland, Oregon, and when talking to him, he tells me that the type of lens we are making, the patent fee should be paid to him.

Would you please advise me what to do as I feel that I cannot pay a patent fee to both you and him for the same type of lens. I am sure that you are familiar with his patent so I do not have to go into detail.

Would you advise me what steps I should take and what I should tell Mr. Butterfield. Please answer me as soon as possible.

Very truly yours,

/s/ H. Hellstrom

H. Hellstrom

HH:rh

(Marginal comments omitted)

Clinton L. Mathis
John O. Graybeal
Delbert J. Barnard

Patent and Trademark
Causes in
Courts and Patent Offices

Law Offices
MATHIS and GRAYBEAL
910 Fifth Avenue, Suite 306
Seattle 4, Washington
MUtual 2-2930

February 1, 1963

Pltf. Exhibit #38A
Case 63-294
Rptr: J.B.
Date 6-22-64 Clerk C.M.

Mr. Irwin Panter
Panter, Nelson, Rothstein and Albert
10 South LaSalle Street
Chicago 3, Illinois

Re: Plastic Contact Lens Company
indemnity agreement

Dear Mr. Panter:

We represent Dr. A. R. Rich of Vancouver, Washington, and Rich-Tint Corporation of Portland, Oregon, with respect to certain patent matters, including the recent suit by Dr. Butterfield against Rich-Tint Corporation, Civil Action No. 62-393, in the U. S. District Court for the District of Oregon.

The offer to Plastic Contact Lens Company licensees of an indemnity agreement, per your letter of December 10, 1962, has recently come to our attention.

The undertaking of Plastic Contact Lens Company to indemnify its licensees against Butterfield infringement claims creates a quite unfortunate situation from the point of view of Rich-Tint Corporation.

After Rich-Tint became a Plastic Contact Lens Com-

pany licensee, and after the Plastic Contact Lens Company settlement with Dr. Butterfield, Dr. Butterfield began rather active negotiations with Dr. Rich, seeking a license agreement with Rich-Tint under the Butterfield patent. Several conversations with Dr. Butterfield were had by Dr. Rich and by me last spring and summer. It was Dr. Butterfield's position that the Plastic Contact Lens Company settlement with him was such that each could go their own way in licensing the industry, and that a license under his patent was therefore necessary by manufacturers in Dr. Rich's position, even though they be Plastic Contact Lens Company licensees. At Dr. Rich's request, I had an extended discussion of the matter with Dr. Butterfield on May 16, 1962, and the question of whether to accept a Butterfield license was under consideration by Dr. Rich from then until early September.

Mr. Irwin Panter

Panter, Nelson, Rothstein and Albert

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February 1, 1963

A revised license agreement was submitted by Dr. Butterfield to Dr. Rich the first week of September. Dr. Rich's letter to me forwarding this revised Butterfield proposal is dated September 10, 1962: Just before this development, specifically on August 21, 1962, Dr. Rich had called Plastic Contact Lens Company and talked to someone in their legal department (whose name is believed to be Richards or Richardson, although Dr. Rich is not certain as to this), seeking to find out whether Plastic Contact Lens Company would protect Dr. Rich against the Butterfield infringement claim. It is my understanding that Dr. Rich was advised at this time that no provision had been made in the Plastic

Contact Lens Company settlement with Butterfield to take care of licensees in Dr. Rich's situation and that Dr. Rich would have to deal with Dr. Butterfield "on his own," or words to that effect.

After our continuing delay in concluding the license agreement offered by Dr. Butterfield early in September, Dr. Butterfield filed Civil Action 62-393 against Rich-Tint Corporation on September 26, 1962. Since Dr. Rich was in no position to undertake the expense of defending the patent infringement suit on its merits, we proceeded to negotiate a settlement with Dr. Butterfield. The negotiated settlement involved acceptance by Dr. Rich of a Butterfield license in exchange for payment of a royalty of \$50.00 per month for the life of Butterfield's U.S. patent. This amount is somewhat less than half the royalty currently being paid to Plastic Contact Lens Company, and does not involve any accounting as to sales volume, so was considered quite attractive at the time. This license was executed on October 19, 1962, and a consent judgment was entered in Civil Action 62-393 on October 23, 1962. For your information, photocopies of this Patent License Agreement, the Consent Judgment and the accompanying Stipulation are enclosed.

In view of the considerable delay between the Plastic Contact Lens Company settlement with Dr. Butterfield and the offer of indemnity to Plastic Contact Lens Company licensees by your letter of December 10, 1962, and in further view of the reliance by Rich-Tint upon the actions of Plastic Contact Lens Company in not otherwise protecting its licensees from suit by Dr. Butterfield during the time Dr. Butterfield was actively negotiating with and filed suit against Rich-Tint Corporation, considerable detriment has resulted to Rich-Tint as com-

Mr. Irwin Panter

Panter, Nelson, Rothstein and Albert

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pared with other Plastic Contact Lens Company licensees, in that other licensees of Plastic Contact Lens Company can now be indemnified against Butterfield claims, while Rich-Tint remains obligated to pay Butterfield the stipulated royalty.

Rich-Tint Corporation should not be placed in a worse position than other Plastic Contact Lens Company licensees, simply because it happened to be the first of the several concerns threatened by Butterfield to be sued after the Butterfield-Plastic Contact Lens Company settlement. In view of the delayed offer of indemnity by Plastic Contact Lens Company, and unless there is like compensation as to a previously negotiated settlement of infringement litigation, as in Rich-Tint's case, an inequity among Plastic Lens Company licensees results. This inequity among licensees is of itself possibly construable as impairing licensed competition and accordingly should be of vital concern to you.

To rectify the circumstance in which Rich-Tint Corporation now finds itself, we ask that you consider the possibility of compensating Rich-Tint to the extent of indemnifying it for the cost of its settlement with Dr. Butterfield, in the same manner as if the settlement had been made under your indemnity agreement. In other words, the Plastic Contact Lens Company indemnity offer (subparagraph 2b of the indemnity agreement) should properly cover obligations arising from previously negotiated settlements of Butterfield infringement suits.

To duly compensate Rich-Tint under the circumstances, it is suggested that Rich-Tint be authorized to

credit against the royalties payable by it each month to Plastic Contact Lens Company an amount equal to 85% of the \$50.00 per month royalty payable to Dr. Butterfield; namely, \$42.50 per month.

Should you wish to have additional information with regard to the Butterfield vs. Rich-Tint Corporation suit, or as to the circumstances surrounding the Butterfield-Rich negotiations, please so advise.

Sincerely,
MATHIS AND GRAYBEAL
By John O. Graybeal

JOG:t

Encls.

cc: Dr. A. R. Rich

(Marginal comments and underlining omitted)

MAJOR ISSUES FROM THE PRE-TRIAL ORDER

(R. 44-76, at pp. 71-72)

*Factual Issues Based upon Plaintiff's Claims
and Contentions:*

Issue No. 1. Has defendant committed any of the acts, omissions or conduct claimed in plaintiff's claims and contentions?

Unfair Competition Issue:

Issue No. 2. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute unfair competition by defendant against plaintiff?

Contract and Business Interference Issue:

Issue No. 3. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute actionable interference or attempted interference by defendant in plaintiff's contractual relations with his licensees, or actionable interference by defendant with plaintiff's legitimate business interests and expectations in obtaining new licensees?

Contractual Issue:

Issue No. 4. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute a breach or breaches by defendant of either the implied or express terms of the consent judgment, stipulation and settlement agreement between plaintiff and defendant in the prior action?

Antitrust Issue:

Issue No. 5. If committed do any such acts, omissions or conduct claimed or contended for by plaintiff constitute an illegal attempt to violate or a violation of the Antitrust Laws of the United States against the creation of monopolies, restraints on trade and restraints on competition in interstate commerce of which plaintiff is entitled to complain?

Miscellaneous Wrongs Issue:

Issue No. 6. If committed do any of such acts, omissions or conduct claimed or contended for by plaintiff in any other manner violate the legal or equitable rights of plaintiff?

**THE PRESIDENT OF PLASTIC TESTIFIED THAT BUTTERFIELD'S
INVENTION WAS INOPERATIVE AND USELESS**

Plastic's policy to assert in the trade that the Butterfield invention is inoperative and useless was clearly established in the testimony of Newton K. Wesley, President of Plastic, given in his deposition (Ex. 12), from which the following excerpts are quoted:

"Q. (By Mr. Mason) Dr Wesley, you, as the president of Plastic, have had occasions to discuss and have discussed the Tuohy and Butterfield patents with the trade and with your licensees, haven't you?

"A. Yes.

"Q. Have you told any of them that if they made corneal contact lenses of any sort they infringe the Tuohy patent unless they have a license under it?

"A. Yes." (Ex. 12, p. 72)

* * * * *

"Q. As I remember, your testimony this morning, if I understood it correctly, was that the Butterfield patent just won't work; is that right?

"A. Well, we figure it is an inoperable patent." (Ex. 12, p. 111)

* * * * *

"Q. But as I understand it, it is still the view of Plastic and its policy to so announce, whenever it is so asked, that the Butterfield patent just will not work when converted into a lens? * * *

"Q. (By Mr. Mason) Now, regardless of whether or not you have had that question posed to you by a licensee or prospective licensee, is it

Plastic's policy that if the question were asked it would so reply that it was an inoperative patent?

"A. Yes." (Ex. 12, pp. 112-114)

